A new look at executive recruiting

BUSINESS WEEK (Page 142)

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MINING MACHINES CARROLS STORAGE

National

in BUSINESS this WEEK December 5, 1959

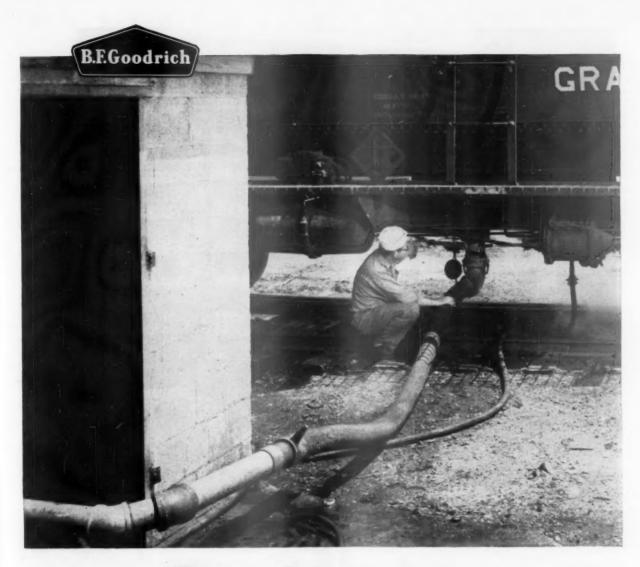
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1957 1958	NDI	PMAI	1959	801	D
	1953-55	Year	Month	Wook	§ Lai
USINESS WEEK INDEX (chart)	Average	Ago	Ago	Ago	Wee
	133.3	138.3	141.6	148.6 r	151.
RODUCTION					
Steel ingot (thous. of tons)	2,032	1,985	368	2,540r	2,6
Automobiles	125,553 \$52,412	123,088 \$58,612	101,616 \$47,639	68,476r \$63,393	43,9 \$69,1
Electric power (millions of kilowatt-hours)	10,819	12,274	12,978	13,812	13,1
Crude oil and condensate (daily av., thous. of bbl.)	6,536	6,983	6,887	6,935	6,9
Bituminous coal (daily av., thous. of tons)	1,455	1,530	1,350	1,528r	1,5
Paperboard (tons)	247,488	286,263	332,303	323,362	310,8
RADE					
Carloadings: mfrs., miscellaneous and I.e.l. (daily av., thous. of cars)	70	61	60	58	
Carloadings: all others (daily av., thous. of cars)	47 121	43 169	41 151	48 167	1
Business failures (Dun & Bradstreet, number)	198	244	273	287	2
RICES	-				
	89.2	90.8	96.0	94.1 r	9
Industrial raw materials, daily index (BLS, 1947-49 = 100)	90.5	83.2	74.9	72.8 r	7
Print cloth (spot and nearby, yd.)	19.8€	18.2∉	20.8¢	21.9¢r	22
Finished steel, index (BLS, 1947-49 = 100)	143.9	186.9	186.8	186.9	18
Scrap steel composite (Iron Age, ton)	\$36.10	\$40.17	\$46.17	\$44.17	\$43
Copper (electrolytic, delivered price, E & MJ, lb.)	32.394∉	28.994¢	33.275¢	34.305€	33.74
Aluminum, primary pig (U. S. del., E&MJ, Ib.)	20.6∉	24.7¢ 21.77¢	24.7¢ 23.79¢	24.7± 23.81¢	23.9
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$2.34	\$2.03	\$2.07	\$2.06	\$2.
Cotton, daily price (middling, 1 in., 14 designated markets, lb.)	34.57€	34.60¢	31.59€	31.62 € €	-
Wool tops (Boston, lb.)	\$1.96	\$1.65	\$1.83	\$1.83	\$1.
NANCE					
500 stocks composite, price index (S&P's, 1941-43 = 10)	31.64	52.54	57.40	57.16r	58.
Medium grade corporate bond yield (Bag issues, Moody's)	3.59%	4.86%	5.27%	5.26% r	5.25
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate)	2-21/8 %	31/8 %	45/8 %	4 5/8 %	43/4
ANKING (Millions of Dollars)					
Demand deposits adjusted, reporting member banks	##	61,589	61,239	60,790	61,2
Total leans and investments, reporting member banks	##	103,196	103,388	103,251	102,8
Commercial, industrial, and agricultural loans, reporting member banks	‡‡	31,676	30,452	30,849	30,8
U. S. gov't guaranteed obligations held, reporting member banks Total federal reserve credit outstanding	26,424	34,004 27,399	28,194 28,353	27,542 28,758	27,3
Total leaderal reserve creati detstanding	20,727				
ONTHLY FIGURES OF THE WEEK		1953-55 Average	Year	Month Ago	Late
McGraw-Hill Indexes of New Orders (1950 = 100)					
New orders for machinery, except electrical (seasonally adjusted). October		104	152	183	1
Construction & mining machinery		111	159 138	186	1
Engines & turbines		106 120	175	190	1
Metalworking machineryOctober		125	116	185	
Other industrial machineryOctober		95	138	148	1
Office equipment		109	220	168	1
New contracts for industrial building		128	61	171	1
reliminary, week ended November 28, 1959.		Not availab	10.		

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Pass the syrup a carload at a time

B.F.Goodrich improvements in rubber brought extra savings

Workers at this candy company were having a terrible time unloading corn syrup through metal pipe. Getting the tank car in just the right spot to make the hook-up took a lot of time. The rigid pipe was heavy, hard to maneuver, a strain to connect.

Company engineers knew that rubber hose would be easier to handle, but would rubber change the taste of the syrup? They took the problem to a B.F.Goodrich distributor, and a special hose was developed.

The rubber B.F.Goodrich used for the lining has no odor, doesn't affect the taste of the syrup. The cover is extra tough, can be dragged over rough ground, can stand all sorts of weather.

The B.F.Goodrich hose has been on the job two years now, is expected to last five more. Because it's so much more flexible than pipe, it can be connected in a hurry. No need to jockey tank cars back and forth. It's faster to hook up, too, because special handles are built into the couplings, eliminating the need for wrenches.

Your B.F.Goodrich distributor has complete information on the B.F. Goodrich hose described here. And, as a factory-trained specialist in rubber products, he can answer your questions about the many products B.F.Goodrich makes for industry. B.F.Goodrich Industrial Products Co., Dept. M-746, Akron 18, O.

B.F.Goodrich industrial rubber products



man-on-the-spot in Osaka

How can he serve your interests in Japan? By giving you the assistance—on-the-spot—of a financial expert in touch with every aspect of local business and banking.

Wherever you do business abroad, the men of our International Banking Organization are at your disposal. Their skill and knowledge, gathered through first-hand experience, can speed and simplify your transactions overseas—save you time, save you money.

To discover how helpful this service can be, give us a call. Our men-on-the-spot will take it from there.

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READERS REPORT

What Consciences?

The Management Pattern-The World and the Spirit [BW-Nov. 14'59,p176]: last sentence.

"It might rather be anticipated that most managers will continue to regard economics as economics, and religion as religion-making such adjustments as their consciences and the competition require." Some did-and what happened?

The Trend-TV Quiz: What Does E-t-h-i-c-s Spell? (page 184): last sentence.

"The current scandal is a clear warning to the broadcast industry to do some real soul searching and to advertisers to understand that TV belongs, first, to the publicand only second to their commercial interests."

Add payola, plugs, commercial bribery (page 36), cost of steel strike (page 31), and one asks-"Without religion - what consciences?"

HAROLD J. RYAN CONSULTING ENGINEER

NEW YORK, N. Y.

Credit No Problem

Let's not be concerned about "consumer credit." It's nothing new. Life insurance companies have sold "estates" on the payment plan for more than 100 years. Furniture, pianos, organs, many things have been sold in this way since the 1800s.

It's economy. I financed an electric refrigerator years ago. It is paid for. Grandma financed her refrigeration at 25 cents a day to the ice man for 30 years.

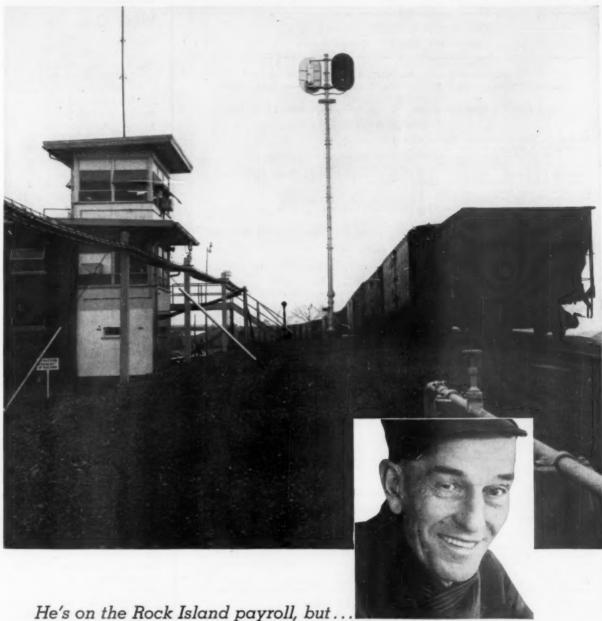
I spent the years-1926-1939 with a large motor finance company. We were never in trouble although thousands of banks, not then in consumer financing but lending in the old "conventional" ways failed.

Real estate mortgages used to "fall due" in tight money periods, they could not be renewed, people lost their homes. Now they pay for homes "by the month" . . . we are becoming a nation of home owners, not renters and this is good. . .

Consumer credit is not new. It's the soundest and most useful form of banking.

G. F. ALCOTT STATE FARM INSURANCE COMPANIES

BLOOMINGTON, ILL.



He's on the Rock Island payroll, but . .

Rollin Buckman works for you!

Rollin Buckman is a good man to have working for you. He can draw on 39 years of Rock Island experience in handling your freight.

As switch foreman at the Rock Island's giant Silvis (Ill.) classification yard (one of several Rock Island yards handling literally millions of cars per year), he and his crew handle your cars carefully and efficiently . . . and send them promptly on their way.

From a control tower at the crest of the yard's incline, Mr. Buckman can classify a 100-car freight train in a matter of minutes. As each car is pushed over the crest, he guides it to its proper track by actuating automatic switches. On the way down, cars are braked at intervals by mechanical retarders adjacent to the tracks. This insures safe-speed, damage-free coupling.

It's not that it took Rollin Buckman 39 years to learn to classify cars. But we feel that his 39 years of proved skill and dependability better qualify him to accept responsibility for the safe, swift handling of your freight. We believe you're entitled to the services of men like him.

It is such experienced handling of customers' freight that is enticing shippers in increasing numbers to turn to the Rock Island railroad for fast, dependable service. We welcome your business.

If you have any comments, pro or con, regarding our rates or services, we invite you to discuss them with your Rock Island Traffic Representative.



ROCK ISLAND LINES

The railroad of planned progress ... geared to the nation's future

Makes Old Cost Figures Obsolete...



Here's the outfit that's cutting the high cost of excavating and trenching—giving many contractors and utilities a welcome break on construction expenses.

a welcome break on construction expenses.

The 51 Backhoe combines fast, 2-lever digging with plenty of power and unusual flexibility. In minutes, one man on the job can set the boom-mounting to any of five positions from flush left to flush right, using only a wrench and the boom's own hydraulic power.

wrench and the boom's own hydraulic power.

Self-leveling, the new 831 Loader gets the 7/8-yard heaped load into the truck fast—and with a minimum of effort. When the bucket is dumped from full height, it returns to digging angle by use of the boom control only. A 35-degree bucket roll-back provides 8500 pounds pryout force for full loads.

For details, and a demonstration, see your John Deere Industrial Dealer. For specifications and illustrated literature, write the address below.

John Deere Industrial Division, Dept. 574, Moline, Ill.

The John Deere Credit Plan permits Immediate ownership of the efficient equipment you need to cut costs now. All arrangements are made with the John Deere Industrial Dealer, in strict confidence.



JOHN DEERE

ill si-

to



"Specialists in Low-Cost Power with a Heavyweight Punch"



"This is language

That's what our customers are telling us, proving that a new kind of customer-supplier partnership is developing in the valve market.

The advertisements above state a new OIC policy of serving valve users. They tell of a concept, hatched during the '58 recession, of really doing something to improve one of the

most vital industries in the world—making and supplying valves. Basically this policy is:

- ★ Creative design and manufacture, using modern materials, methods and marketing.
- ★ Leadership in developing services to anticipate customers' requirements—plus a nationwide



we both understand"

partnership of leading industrial distributors.

- * Dynamic operation, putting into practice better production schedules, inventory control, packaging, and delivery performance.
- * Progress in research and development to meet the new technological advances of industry.

These advertisements tell our philosophy. Putting it into action opened the door to a whole new way of doing business . . . one that will pay your company to investigate . . . one that has prompted so many of our new customers, today, to tell us:

"Now you're talking our language."



PERFECT PRESENTATION IN HOLIDAY TIME...a boxed collector's set of matched Colt #4
.22 Deringers. Each pair of Deringers has consecutive serial numbers, exact replicas of Colt's
#3 1872 model. Popular demand has now brought back the Deringer as an addition
to your collection and a handsome set that makes a perfect business or personal
gift. In this beautiful presentation case suitable for inscription, the pair is only
\$39.95. A single boxed Deringer, \$22.50. Ask your Colt registered dealer today.

COLT'S PATENT FIRE ARMS MANUFACTURING COMPANY, INCORPORATED, HARTFORD 15, CONNECTICUT



"Every kid knows Flexible Flyer quality... Sharon steels help keep them best"-W. T. LLEWELLYN Pres., S. L. Allen & Co., Inc.

The name "Flexible Flyer" has been identified with the finest in sledding since 1889. Equally respected and accepted in power gardening equipment is the name "Planet Jr.". Both products are made by the S. L. Allen & Co., Inc., Philadelphia . . . starting with the highest quality steels from the Sharon Steel Corporation, Sharon Pa.



SHARON Quality STEEL

Here's how LIS Rent-a-Car takes the bookkeeping out of business car rentals!

AN ELECTRONIC COMPUTER KNOWS YOUR NAME

Avis' new UNIVAC accounting machines will recognize you—wherever you arrive, by plane, train or ship—from coast to coast!

YOUR DEPARTMENT OR DIVISION

IS A MATTER OF RECORD

Electronic billing procedures identify and allocate all car and truck rental charges. Each transaction is accurately recorded.

YOUR CORRECT ACCOUNTING

OFFICE IS UNMISTAKABLE

Avis transactions are separated and listed on monthly invoices for each accounts payable office or department specified.



YOU NEED MORE THAN CENTRAL BILLING!

Avis originated the new Corporate Travel Plan to help any company with men who travel. It's the *only* central billing system that also guarantees accurate and complete accounting control of car-rental expense. It is flexible enough to match any accounting system, whether your company travels 10 men—or 10,000!

Over a thousand important companies are now

using the Avis Corporate Travel Plan. It saves more than accounting expense. It provides important on-the-spot savings in car rental costs—plus additional savings based on total company usage. The more you use, the more you save! No other car rental accounting service can save so much time, money and bookkeeping. Get all the facts—without obligation. Write—on your business letterhead—to AVIS, Dept. 68, 18 Irvington Street, Boston 16, Massachusetts.



THE AVIS-VISA CREDIT CARD

is the "badge" of a man who travels the modern Corporate Travel Plan way! It speeds you on your way in a gleaming new Ford—or other fine car of your choice. You save time, red tape and expense accounting, too.





You want your sample quantities and limited runs to have the same good, clear marking your production runs do — but often the only expedient is hand-stamping or interrupting production marking just for a small lot. This is exactly why Markem developed the little hand-fed, hand-operated "Companion" — as a practical combination of high quality imprinting and extremely low cost for short run marking.

Markem printing elements for the Companion include rubber plates, zinc etchings and slotted metal Masterplates with quick-change type inserts — to handle all sorts of marking requirements. You also have a choice of thousands of Markem specialty inks for these printing elements — air dry, baking or firing types... that "take" on everything from polyethylene to glass. The "Companion" itself costs \$203.50. With your Companion, printing elements and inks, you can mark flat, curved or irregular shapes — either directly or by offset — with

imprints up to 2" x 3". There's no extensive set-up, trial and error or special tricks of the trade — anyone can get good imprints with a Companion, anywhere in the plant.

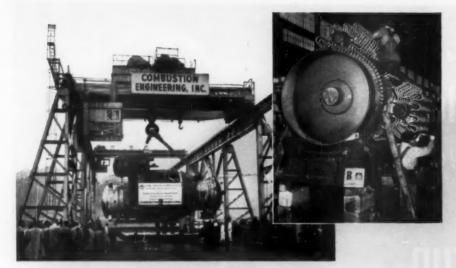
In the meantime, your production run marking keeps right on — and this is where other, more specialized Markem machines can also help you. Some have automatic feed and ejection, others are designed to be built into your line or packaging equipment. There are now about 40 basic groups of these direct, offset and screen process marking machines, used for marking everything

from baseball gloves to transistors. Find out how you can make your marking more profitable, with a "Companion" or some other combination of Markem machine, type and ink. Write Markem Machine Co., Keene 33, New Hampshire.



MARKEM

EVERYTHING INDUSTRY NEEDS ... FOR PROFITABLE MARKING ... SINCE 1911



(Left) The huge riverside crane at Combustion's Chattanooga Division easily lifts this 92-ton stainless steel reactor vessel — the most complex reactor vessel built to date — into a barge for shipment to the Enrico Fermi Power Station, Lagoona Beach, Michigan.

(Right) Stainless steel sodium heat exchanger consisting of a series of tubes within tubes, encased in a pressure vessel.

What C-E is doing to advance

The strange and wondrous world of the atom has been examined and surveyed by C-E scientists and engineers since 1946. The object—to put the controlled energy of the atom to productive use for the generation of power. The result—a wealth of knowledge and experience in the application, design and manufacture of nuclear power equipment. Backed by specially designed laboratories and manufacturing facilities, this knowledge and experience—greatly augmented and enriched by the acquisition of the General Nuclear Engineering Corporation early this year—has enabled C-E to undertake many kinds of nuclear work.

Notable C-E and General Nuclear projects are outlined on the opposite page. Virtually all of them are current, and many have a significant relationship to the vital task of making nuclear power competitive with conventional power. Collectively, these projects will contribute importantly to the Company's objective of achieving the same position of leadership in the atomic world of tomorrow which it has long since achieved in present-day methods of power generation.



Partial view of laboratory of General Nuclear Engineering Corporation at Dunedin, Florida, showing equipment used for the study of a high-pressure, high-temperature gas coolant system.



Portion of a laboratory at C-E's Nuclear Division, Windsor, Connecticut, showing gas analysis equipment used for detecting the presence of small quantities of gaser in reactor materials.



The 520-foot-long Heavy Vessel Bay at C-E's Chattanooga Division was created especially for the manufacture of heavy nuclear components.

Portion of the 530-acre site occupied by C-E's Nuclear Division at Windsor, Connecticut. This Division is equipped for the development, design and test of reactor systems and the manufacture of reactor cores and core components.



Nuclear Power Progress

C-E NUCLEAR PROJECTS

For Electric Power Stations

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for

- In association with Stone & Webster Engineering Corporation, a design study for AEC of an advanced type of large (236,000 kw) pressurized water reactor power plant.
- A long-term development program for AEC to determine the best means of using nuclear energy to generate superheated steam. (Success in this endeavor will be a big step forward in reducing the cost of nuclear-generated power.)
- Design studies for the Puerto Rico Water Resources Authority, under AEC contract, to determine the best means of adding nuclear superheat to a boiling water reactor.
- Design, research and development work covering a gascooled, heavy-water-moderated, pressure-tube type reactor for the East Central Nuclear Group, Inc., and the Florida West Coast Nuclear Group. This development will also lead to a nuclear power plant using superheated steam.
- The development and test of various kinds of fuel elements and fabricating procedures, under contract with the AEC.
- The design and manufacture of reactor vessels, including the largest and most complex vessels of their type built to date, for the Shippingport Station (America's first full-scale atomic power plant), the Enrico Fermi Atomic Power Plant, the Humboldt Bay Nuclear Power Station, and Italy's first nuclear power plant.

For Military Power Plants

 Design study for U. S. Army, under AEC contract, of a truly package type of nuclear reactor, using the boiling water con-

- cept, for remote installations. This program includes operation of a prototype boiling water reactor at the National Reactor Testing Station in Arco, Idaho, and the training of military technicians in the operation of the installation.
- The conceptual design and operation of a nuclear test reactor, under AEC contract, to permit full-scale testing of prototype reactor cores for military field plants.

For Naval Power Plants

- The design and manufacture of a submarine reactor system designed to set new standards of accessibility, speed of startup and operational flexibility—and the operation of a land-based prototype installation.
- The design and manufacture of numerous reactor cores, reactor vessels, steam generators and pressurizers for various types of submarines and naval surface ships.

For Merchant Ship Propulsion

 The design and engineering study of a prototype pressurized water reactor for a 45,000-ton tanker, under contract with the AEC and the U. S. Maritime Commission.

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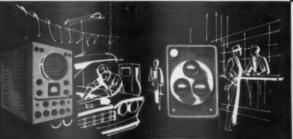
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BUSINESS OUTLOOK

BUSINESS WEEK DEC. 5, 1959



Prospects for early 1960 are nothing short of spectacular based on automobile and steel industry output schedules.

- Auto production for the first quarter now is planned at the highest level for any three months on record.
- Steel will have to set new records to make this possible. And, barring a new walkout, this seems very nearly a cinch bet.

Detroit's plans now call for an outturn of 2,240,000 cars in the first three months of 1960, according to Ward's Automotive Reports.

That's fully 100,000 better than in the record-smashing first and second quarters of 1955. Moreover, it's at a rate of virtually 9-million a year (making no allowance for model changes and the like).

The industry in its biggest single month (March, 1955) ran at a rate above 9-million cars a year. But such a rate has never quite been sustained for a calendar quarter.

General Motors is planning to go all out—having been held back particularly for lack of steel thus far in the new-model year. Its first-quarter schedule calls for output substantially higher than in the like 1955 period when the corporation rolled up gross sales of \$3.1-billion.

Suppose actual retail deliveries of new cars are pushed to 1½-million—and no first quarter has ever quite reached that level—then the auto people would still add 750,000 units to dealers' stocks by Apr. 1.

Not too coincidentally, that would be almost exactly the number by which fourth-quarter production is missing the original goal.

Detroit can make up lost production if it gets the breaks it needs (mainly in the form of steel). But can it make up lost sales?

When new models come out, impulse buying unquestionably helps to shape the whole auto year. This time, some production lines were stuttering for want of steel almost before introduction time.

Were potential buyers lost, or are they waiting patiently? This has been worrying auto executives right from the very start. The question applies with greatest force to the "compact cars," of course; sales prospects could—and maybe did—get quick delivery on an imported model.

Prices will begin to tell the 1960 story once dealers' stocks of cars get comfortable. If the public appetite is what the industry hopes, there won't be much deep discounting for quite a while.

But don't rely strictly on the industry's own 10-day sales reports.

Here's the reason: Dealers sometimes doctor their figures. Right now, they can't get enough cars. When the flow starts, they may overstate sales in the hope Detroit will allot them bigger quotas.

Steel, in its fourth week of production under the Taft-Hartley injunction, will pour 2.6-million tons. That, at least, was the estimate mills gave the American Iron & Steel Institute on Monday.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK DEC. 5, 1959

This is only a shade below the biggest weeks last spring.

And it bears out Business Week's prediction that "in three or four weeks, most steelmakers will be operating close to 90%" (BW—Nov.14'59, p25). This week tops 92% over-all, a good omen for metal users.

Operations in the steel industry need expand only very little for the first quarter next year to exceed 34-million tons. If all producers sign new contracts before the injunction deadline, then the steel industry will join autos in erasing a batch of old production records.

Steel's best previous quarter was the second three months of 1959 when 33.8-million tons were poured.

Even 34-million to 35-million tons will leave steel users clamoring for more in the first quarter. You can bet on that.

Shipments for automotive products alone will take the equivalent of 7-million to 7½-million ingot tons. The total will run even higher if the auto people can talk the mills into giving it to them.

This is where the pinch comes: Everyone will scream, not just for enough to meet day-to-day needs but for enough to rebuild stocks, too.

You can get pretty optimistic about 1960 as a steel year.

Iron Age this week predicted a production record of 127-million to 130-million tons. The previous peak was 117-million in 1955.

The industry will probably pour at better than a 130-million-ton rate in the first half of next year. That should put 10-million tons or more into inventories, so don't be surprised if the second half slumps.

American industry's export markets aren't drying up entirely despite all you hear about rising competition from producers abroad.

Toolmakers underline that in reporting higher October orders.

Foreign business booked during the month spurted to \$15½-million out of the \$67.2-million total. Main reason: a jump in sales of presses for foreign automotive plants now in the process of boosting output.

Domestic orders for machine tools still haven't recovered their best pre-strike levels. This probably reflects delivery and price difficulties as long as availability and cost of steel are in doubt.

Orders for tools to go into U.S. plants came to a bit over \$50-million in both September and October. The recovery peak was \$60-million in June.

A little more credit to handle seasonal expansion in needs between now and Christmas was the promise afforded by the Federal Reserve Board in this week's action easing banks' reserve requirements (page 48).

This, however, hardly betokens a softer attitude for 1960.

The Fed is still out to ward off both inflation and a boom-and-bust type business expansion next year. Moreover, keeping interest rates attractive in this country works against the outflow of foreign balances.



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Eisenhower Seeks a New Order

■ The President's world tour comes at a time when a still nameless new era is supplanting the postwar period.

His purpose is to work toward agreements that will bring a stable balance of power to this new era, despite the increasing complexity of international relationships.

Besides the easing of tensions between East and West, there's the problem of coping with differences between the U. S. and its now-prosperous allies.

As Pres. Eisenhower prepared at midweek to leave on a 19-day tour of 11 foreign countries, his foreign policy advisers felt no need to justify the precedent-shattering trip. To these men, the President simply is making an appropriate response to an unprecedented world situation. He is taking a position at the center of the world stage at a time when the era that could be called "postwar" clearly has come to an end, but the new era still has no distinguishable shape.

Put simply, Eisenhower's role on this trip, and in the summit talks that will follow later, is to help establish a new international order—one that doesn't lean so heavily, and so dangerously, on a polarization of power around the U.S. and the U.S.S.R. Such a new order inevitably will involve a more complex set of international relationships than those we have known during the postwar period, and probably some decline in the strength of the U.S. position. Inevitably, the transition period will be bumpy, calling for some tricky diplomatic maneuvering on the part of the U.S.

To understand what's happening in world affairs today, you have to consider these basic elements:

The nuclear stalemate between the U.S. and the U.S.S.R. is forcing both sides to seek a way of limiting their rivalry to economic and political competition.

Western Europe and Red China are acquiring new strength and showing new independence in world affairs. This complicates the efforts the two superpowers are making to reach an understanding.

The underdeveloped countries are increasing their demands for a more equal distribution of the world's resources. But up to now economic assistance from both East and West has been largely a byproduct of cold war rivalry; an easing of international tension might lead both sides to reduce their development aid.

Internal pressures in both the U.S. and the U.S.S.R. now tend to limit their freedom of international action. Foreign aid has become increasingly unpopular in this country; our reluctance to carry this burden is being accentuated by our balance of payments problem. Meanwhile, the Russian people are demanding higher and higher living standards—something that could put a crimp in Moscow's style.

All that leaves an overriding question: Assuming that the world power struggle can be diverted into peaceful channels, which of the two superpowers—the U.S. or the U.S.S.R.—will stand up better under a long period of low tension?

I. President's Mission

Eisenhower's main purpose on his trip is to generate confidence that the U.S. will measure up to the new situation, that we will be able both to secure peace and to take advantage of it. More specifically, he will reassure the foreign leaders he meets, especially in the underdeveloped nations, that in seeking an accommodation with Moscow, the U.S. will neither sacrifice their interests nor turn its back on the long-term American goal of promoting a stable and prosperous world.

Eisenhower's toughest job will come

when he attends the Western summit meeting in Paris on Dec. 19. At this session he will try to bridge the differences over an East-West summit meeting that have developed, especially between Britain, on the one hand, and France and Germany, on the other. Summit timing is only one of the problems that now split the Western alliance. More important are the differences over the positions the West should take on the various issues to be discussed with Khrushchev, especially the thorny issue of Berlin.

• Fears—Chancellor Adenauer, quite naturally, is more touchy than the other Western leaders about anything affecting Berlin, the status of East Germany, and the ultimate prospect for German reunification. Adenauer fears that any form of accommodation with Moscow will consolidate the Soviet grip on Eastern Europe, including East Germany.

Pres. de Gaulle backs Adenauer for his own reasons—largely to cement the present Franco-German friendship into a solid nucleus of a Continental bloc.

• Hopes—The U.S. and Britain, on the other hand, see the East-West conflict as worldwide, and Europe as only one—though the most vital—area of tension. So Washington and London (in varying degrees) are inclined to meet the Russians part way on an issue like Berlin, in an attempt to relax the generally rigid Soviet attitude. Thus, they hope, step by step, to get agreement on disarmament and other matters.

This split makes some observers doubt whether the West is capable today of negotiating with Khrushchev as a united group. In fact, there's some suspicion in London that de Gaulle hopes to use Khrushchev's March visit to Paris to get Soviet concessions that will reassure Adenauer, thus leave no room for U.S.-British bargaining at the summit. This would establish for France a position as the leader of Western Europe.

The U.S.S.R., as a power with world-wide interests, has its own problems with an ally-Red China. Just as Bonn is primarily concerned with protecting its own position in Europe regardless of broader Western interests, so Peking pushes its own ambitions in South Asia, whether Moscow likes it or not. For example, the Chinese border in-

trusions into northern India clearly conflict with Khrushchev's desire to establish an era of peaceful coexistence.

II. Despite Differences

The depth of allied division over approaches to the summit and to an easing of tensions with the Soviet Union partly reflects Europe's new economic strength relative to the U.S. This has made Continental leaders less ready to echo Washington's policy. De Gaulle, for one, is supposed to be dreaming of creating a real third force out of the six-nation European Economic Community—with France under his direction, as the leader.

The current economic division of Western Europe into the six Common Market countries and the seven-nation Free Trade Assn. has worsened a parallel political division among the allies. Bonn and Paris have tended to suspect that Britain's efforts to come to terms with Moscow are based on its economic

rivalry with them.

Still, if the U.S. really wants a common allied approach to the Soviet Union, it clearly has the power to carry the allies along with it. The time may come when shifts in the power balance will enable Western Europe to follow an independent line toward the Soviet bloc, but it seems to be some way off. European leaders—even de Gaulle—are well aware of their continued dependence on the U.S. for security. Without U.S. commitments through NATO and the presence of U.S. troops in Europe, the European nations would be dangerously exposed.

III. Setting the Stage

U.S. officials are confident that Western positions can be unified for the next diplomatic engagement with Khrushchev. They regard the chances for some accommodation as good. There is even talk in the State Dept. of a radical new approach to disarmament, designed to give Khrushchev a real incentive for seeking a broad agreement with the West. One idea is to take Khrushchev up on his suggestion for massive conventional disarmament—to clear the way for a safe military disengagement in Central Europe.

Many of the problems will remain for Eisenhower's successors. But he personally will be satisfied if, before he leaves the White House, he can set the stage for negotiating an accord with the Soviet Union—and do it without weakening the will of the free world to continue grappling with the economic and political problems of the underdeveloped countries. As Eisenhower sees it, these problems would become all the more important in an

era of peaceful competition.

In Missiles, a 3-Year

 McElroy says Russians will lead the U.S. until the end of 1963.

 But retiring Defense Secretary tells the nation our varied defense weapons are adequate to deter aggression.

To cover the gap, he urges funds for an increased force of nuclear-armed bombers constantly aloft.

The Administration this week made a candid estimate of the seriousness of the so-called "missile gap" between Soviet skill in production of ballistic weapons, and U.S. development and

performance.

Neil McElroy, in a final news conference after resigning as Defense Secretary, estimated that Soviet missile production capacity and U.S. intentions, compared, mean that Russia will have more capability than we in missiles in

1961, 1962, and 1963.

The solution McElrov gave for meeting the potential missile gap is a plan which the Air Force Strategic Air Command has been urging for some time: Train new crews and build up stocks of replacement engines and parts so that there can be a continuous airborne alert of B-52 bombers armed with nuclear weapons in operation during the "gap" era. The latest B-52s have a 9,000-mile range, fly at over 600 mph. at 50,000 feet, with a six-man crew.

• Unworried—The outgoing Secretary, who is being succeeded by Deputy Secy. Thomas S. Gates, Jr., was unperturbed in giving his conclusion. He took pains to reassure the American people that there should be no need to worry, but rather, that the "diversified" strategic weapons of the U.S. will maintain the Administration's policy of "deterring" aggression, however well-heeled with

missiles the Soviet may be.

"If Russia builds what it could and we build what we intend," McElroy said, "they will have more missile capability for the period 1961, 1962, and maybe 1963 than we have." He estimated that at present the Soviets have some 10 international ballistic missiles operational, probably the 150-ton, 5,000-mile multi-stage T-3s. The U.S. has the Atlas which McElroy says is a proved weapon which we are moving to deploy. Estimates are that we have at Vandenberg AFB, in California, a handful of Atlas missiles available.

McElroy said this week that money is in the 1961 fiscal year budget to buy replacement parts and to train crews for the grueling job of always keeping some airborne planes enroute to a target.

· Present Status-Strategic Air Com-

mand policy now requires only a socalled ground alert in which the effort is to have one-third of our SAC planes ready on the ground to get into the air in 15 minutes. Best estimates are that some 250 bombers and crews are on the "ground alert."

The "air alert" perhaps sounds more dramatic than it is likely to be. Informed Pentagon officials say that even the money in the 1961 budget is far less than would be needed to get parts and to pay to train crews for a strategic flight out to targets by very many

planes.

Still and all, McElroy emphasized that such preparations will be Administration policy while the U. S. attempts to leap from an admitted deficiency in sophisticated rockets to what the military calls the "second generation" of solid-fueled ICBMs of the Minuteman class.

 U.S. Protection Adequate—McElroy's views, which are apparently shared

by Gates, add up to this:

• A calm acceptance that the Soviets will have a much greater arsenal of ocean-spanning ICBMs over the next four years than we will have. U.S. intelligence sources estimate the Soviets have the capacity to build at least three times as many missiles as are now scheduled by the Air Force.

• A firm intention to hold defense spending at a stable level, around \$41-

billion

McElroy spoke against the backdrop of (1) Soviet Premier Khrushchev's latest boast this week in Budapest of Russia's nuclear missile stockpile that could "raze to the ground all our potential enemies"; and (2) the statement of Under Secy. of State Robert Murphy, who also quit Washington this week, that Moscow's feats in missile production and space exploration have spawned new and significant "political advantages" for the Soviet Union.

• Solid Fuel Missiles—Behind the Ad-

• Solid Fuel Missiles—Behind the Administration's unruffled acceptance that Russia will outstrip us in ICBM output is the theory that we can afford to hold back on full-scale production of "unwieldy" liquid-propellant missiles such as Atlas and Titan—whose lengthy

Gap Ahead



THOMAS S. GATES, JR. succeeds Neil McElroy as Defense Secretary.

launching preparations limit their effectiveness as retaliatory weapons.

Instead, the big production push is planned for the solid-fueled Minuteman ICBM. This missile is still under development, but is expected to be initially deployed in both fixed underground sites and on specially-designed mobile fleets of railway cars beginning

Until the Minuteman missile becomes operational, U.S. has a diversified arsenal. There are the scheduled 20 bases of the admittedly primitive liquidfueled ICBMs (11 for Atlas and nine for Titan). Additionally there are or will be manned bombers armed with "stand-off" air-to-ground missiles, overseas-based IRBMs (seven bases planned in Britain, Italy, and Turkey), missilearmed submarines, carrier-borne bombers, and tactical missiles and bombers set up close to Soviet borders.

· Airborne Alert-McElroy's airborne alert plans would put an undetermined number of squadrons of the Air Force's 13 B-52 heavy bomber wings in the air.

Up to now, there has been considerable skepticism within the Pentagon over such a plan. Said a top-level official recently: "An airborne alert is no solution. Actually, we can reduce our over-all readiness by keeping too large a force on an air alert. There are serious physical limitations-on the crew and on the airplanes-for maintaining an air

Pentagon sources have come up with "crude" cost estimates of \$750-million to \$1.5-billion for the type of airborne bomber alert SAC wants. For Pentagon planners, this represents a major dilemma. Pinched by budget ceilings, they must decide between the all-out

air alert or other projects-missile and aircraft procurement and such.

Congress has backed SAC's proposal. It tackled on to this year's appropriation, authority for the President "to incur a deficiency in Air Force funds at any time [he] feels it is necessary to maintain an airborne alert.'

• Test Operations-The Air Force has already run tests on the feasibility of such an operation. Last spring, Gen. Thomas White, Air Force Chief of Staff, told Congress of flight experiments which ran for about six months.

The two big stumbling blocks to an operational air alert are the shortage of spare engines and other parts and of pilots. In recent years, the Air Force's operations and maintenance budget has been trimmed so severely that no surplus stocks of B-52 engines and other spare parts have been built up.

• Retraining of Pilots-The question of pilots could be handled officials say, by retraining pilots idled by the deactiva-tion of fighter and B-47 medium

bomber planes.

McElroy was very cautions in explaining how extensive an airborne alert might be started. Still, he disclosed that there is money in this year's spending plans and a larger sum in the fiscal 1961 budget for procurement of extra Pratt & Whitney J-57 engines and other long lead-time spare parts for B-52 bombers. There are also increased but unspecified sums for flight training.

The Strategic Air Command's bomber force consists of 13 B-52 wings and 28 B-47 wings. The planes-plus supporting refueling aircraft-are scattered on 44 major U.S. bases and 29 overseas

Some of the B-52 units have vet to come up to the authorized 45-bomber strength. Boeing has orders for 70 more of the big bombers this year (bringing the total delivered or on order to 712 planes). The Air Force says it plans to continue buying the plane "at least through calendar 1963."

· The B-58 Arrives-This week, SAC took delivery of the first operationalmodel Convair B-58 supersonic medium bomber. This plane will also replace the B-47s. Two and perhaps three wings of B-58s will be organized-36 bombers to a unit. But the first wing will not be operational until the end of next vear. The latest schedule represents a sharp scaling down from the Air Force's initial plane for the B-58.

The Navy will come into the strategic missile business by next fall with its first operational nuclear submarine

armed with 16 Polaris ballistic rockets. By the end of 1963, 12 Polaris subs will be prowling the seas-representing still another element in the "diversified" arsenal of nuclear striking forces.

Weapon Makers Watch for Ax

Pentagon's slowdown order on B-70 signals a biggerthan-usual ax-wielding season on defense programs as Administration struggles to keep within new budget limits.

These are the days when weapon makers listen anxiously for the thud of the Pentagon's budget-cutting ax. It promises to hit many of them more severely than usual this year, as the Pentagon struggles in the squeeze between the rising costs of defense and Administration determination to hold the military budget for fiscal 1961 close to last year's \$41-billion.

· First Blow-Already, the Pentagon has sharply cut its program for development and production of the B-70 supersonic bomber. This week, it sent telegrams to the major B-70 contractors telling them to slow their work on the airplane. The Air Force had hoped to spend more than \$300-million on the plane next fiscal year. Instead it will put about \$75-million into the project.

means that reshaped plans call for production of only two test models of

find work for valuable engineers who

To the contractors, the stretchout means layoffs and weeks of juggling to

To the Air Force, the stretchout

can't be dropped from staffs. North American Aviation, Inc., the prime contractor, will drop some 2,000 men. This reduction will come despite orders from the Air Force that North American take back work previously sub-contracted to Boeing, Lockheed, and Chance Vought.

Those three together will drop a total of several hundred workers. More cuts will come at General Electric's Evendale (Ohio) plant, where B-70 engines are under development. Westinghouse, International Business Machines, and Motorola, all of them building major components of the airplane are figuring this week how to transfer their B-70 engineers to other work.

Contract termination costs are, of course, paid to all these weapon makers. So it's not the cost of shutting down work that worries them. It is, instead, the problem of holding their research and engineering organizations together and the struggle to get more work for next year.

• Hanging in the Balance-The B-70

cuts have sent a score of other weapon makers, not directly involved, scurrying to discover the Pentagon's plans. They're the team of contractors, headed by Douglas, that started work earlier this year on an air-launched ballistic missile (ALBM). This, according to Air Force plans, was to have been part of the B-70 armory.

So now some of the team fear the ALBM project will be cut back. Others hope the Air Force will go along with a plan to adapt the missile so it can be carried by the already operational B-52 and B-58 airplanes. Apparently, the Air Force still hasn't decided this issue.

While indecision continues, weapon makers hesitate. Earlier this year, one ALBM subcontractor told his executives: "Let's go easy, let's wait to see if

the project lasts."

· More to Come-Though the defense budget is officially under wraps until it goes to Congress in January, enough has leaked out to show there will be many more cutbacks and stretchouts like that of the B-70 program.

As plans are now, the Pentagon will cut production of Convair's B-58 bomber, Boeing's Bobarc B anti-aircraft missile, IBM's SAGE air defense system, and other major equipment.

The Nike Zeus anti-missile missile system, under development by a team of contractors headed by Western Electric, will continue to limp along in the development stage. The Army sought \$700-million to \$1.2-billion to get actual production started. Instead, it will get only about \$300-million. The Defense Dept. apparently has decided to hold back on production plans until the Nike Zeus is tested as a complete system-and this isn't scheduled until

· Survivors-Word has leaked out that the Titan ICBM (page 94) has survived the review of the Air Force's missile budget, though this summer, for the second successive year, there was talk that the Titan project would be killed.

There'll be more money next year for the Atlas and Minuteman ICBMs and for the Navy's Polaris missile.

· Congress' Turn-Even now, though they have Pres. Eisenhower's approval, the Pentagon's fiscal 1961 spending plans are anything but definite. Congress can force more changes when it reviews the budget in January. Since the military budget outlines spending plans up to 18 months hence, fast advancing technology can also force changes.

Says an East Coast defense contractor: "This is the worst time of the year for us. But there's not much we can do. We have our Washington man trying to get word of the Pentagon's plans well in advance. The rest we have to leave to the politicians. Pretty soon, it will be

their turn with the budget."

Food Chemicals Under Cloud

Producers and users are racing a Mar. 5 deadline to convince the Food & Drug Administration that additives are safe. They're afraid of another case like cranberries.

Parts of the chemical industry that are related to the food business are in a frenzy of activity. The cranberry uproar reminded them of the Mar. 5 deadline for convincing the Food & Drug Administration that food additives and insecticide residues in food are harmless to man. Even before Mar. 5, executives are saving, there could be another such fuss.

FDA Commissioner George P. Larrick says his agency has no other substance under surveillance that is known to produce cancer in laboratory mice to the same degree as the aminotriazole found in some cranberries. A few small shipments of milk have quietly been seized-and more will be-because they contain residues of DDT or penicillin. But Larrick says FDA will hold off on other sweeping enforcement until

But the chemical companies aren't being lulled by this assurance. For one thing, time is running short between now and March, and dozens of companies haven't vet started lab tests that take months. For another, their customers in agriculture, dairving, and food processing are relying on them to get a clean bill of health for the more than 600 chemicals that are used.

· Burden of Proof-The food additives law, signed by the President on Sept. 6, 1958, gave producers and users of these chemicals exactly 18 months to document the safety of additives in use before Jan. 1, 1958, and to get FDA approval or tolerance limits on additives introduced later. For all the more recent additives, this approval-qualified or unqualified-must be obtained before the chemical is put into use.

The new law also requires the complete removal from foods of any chemical known to cause cancer in man or

The burden of proof is on the producers and users of chemicals. Some 180 common additives, salt, pepper, and the like have been exempted as being generally recognized as safe by scientists. Over 400 more are in useof these only 19 have been submitted to FDA for formal approval and only three of the 19 have gone the whole route. There are dozens of other chemicals that can come into contact with foods only incidentally-mostly agricultural chemicals.

It brings into play the laboratories of the big chemical and food companies, which are suddenly working around the clock to build up dossiers on their

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· Cranberry Squeeze-Some men in the industries think Secy. Arthur S. Flemming of the Health, Education & Welfare Dept. had exactly this result in mind when he blew the whistle on cranberries. Others more gloomily regard the cranberry fuss as "just a sample of what we'll be getting" if Flemming should decide to get tough, perhaps without waiting for Mar. 5.

The worst of it is, say chemical producers, the chemical industry comes under a cloud through circumstances beyond its control. It is to a large extent the victim of errors by its

"If the cranberry producers had just followed directions," a chemical vice-president remarks, "nothing like the November cranberry mess would have happened."

If dairymen and farmers keep within the recommended tolerance limits, chemical producers say, FDA inspectors will probably find that most chemicals used on foods today are completely safe or never reach the consumer in sufficient quantity to hurt him. But if the farmers err, the chemical producers will take another beating.

· Wrappings, Too-This embarrassment isn't limited to the chemicals deliberately or accidentally added to foods in growing or processing. Commissioner Larrick points also to the packaging materials industry as one "that has tended to shove the whole problem of safety testing under the carpet as long as it could."

Extensive tests are sometimes required to determine the residue left in food by wrapping materials, Larrick says, and many producers probably won't be able to meet the Mar. 5 deadline.
"Anyone who can show us that he

has made a real effort to get testing done will not have trouble getting a time extension," says Larrick. "But there is not going to be any general

amnesty on the deadline."

Producers of polyethylene have told FDA they think they can by Mar. 5 lick the problem of the chemical residues that accumulate in fats wrapped in polyethylene film. But paper wrapping materials can cause even more trouble. Researchers are trying to find new ways of making food wrapping paper without using objectionable sulphides and defoamers.

· Troublesome Ones-Some of the

other chemicals that seem to be heading into trouble include:

Mineral oil, which draws vitamin K from the diet. It is used widely as a glaze in jelly beans and gum drops, yet tests indicate that, beyond a certain point, it can be dangerous. Tests to establish safety limits are generally long and complicated, involving extensive use of lab animals.

Diethylene glycol, commonly used as a plasticizer in production of cellophane. Like aminotriazole, it is now rated as potentially harmful. Several cellophane producers, rather than trying to defend it, have quietly shifted to

glycerin as a plasticizer.

Ethylene oxide, used in sterilizing starch and similar foods during production. Its toxic properties are well known; its vapor can irritate nose and eyes, cause unsteadiness and difficulty in breathing. Food producers insist that little or no ethylene oxide comes through to the consumer, that any residual amount is perfectly tolerable. But FDA is likely to insist on animal tests before approving its use.

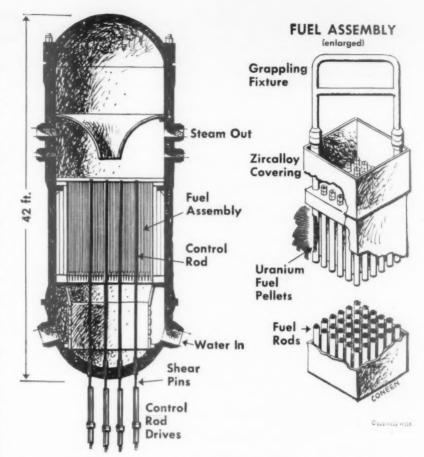
Stilbestrol, a synthetic hormone used on cattle and poultry feed to fatten the animals, is also in jeopardy. HEW Secretary Flemming was ready to announce this week a new study to determine just what the effects are of residues in meat. Stilbestrol is suspected of causing cancer when used in large amounts. But some medical evidence takes the opposition position—shows that the residues in meat are actually less than are found in the normal diet

from other sources.

• Pale Lips—One worry of the food chemical people is that another dead-line—Jan. 6, when by law the lipstick makers must stop using 17 coal tar dyes—might be the signal for another Flemming whip-cracking maneuver in the food field, too. They also dread the chance discovery, in a spot check by FDA inspectors, of a major contamination of, say, milk by DDT. The to-do over chemicals in foods hasn't died out but is smoldering, they fear.

The lipstick ban is based on a related but separate order by FDA under the old Color Bill. It allows manufacturers no margin whatsoever. All use of the 17 specified coloring agents, found through laboratory tests to be harmful, must end by Jan. 6. The cosmetic manufacturers are fighting furiously for a stay of the deadline. They hope to gain time for their lobby to push House action on a new law (already approved by the Senate) that sets tolerances on the coal tar dyes instead of banning them completely.

Unless they succeed, it looks as if women will have to do without a number of the subtle shades (basic reds will still be O.K.). At least until new and harmless dyes are brought into use.



SMALL DEFECTS in some components of nuclear reactor shut down tests for three weeks.

Shakedown Troubles

Minor equipment bugs stopped preliminary testing of the nation's newest major atomic power plant for a period of three weeks last month. Testing has now been resumed at the Commonwealth Edison Co.'s Dresden nuclear power station near Chicago, but the temporary shutdown points up the almost fantastic performance required of nuclear equipment.

The major difficulties at Dresden involved several of its control rods—devices that speed up and slow down the nuclear reaction—and the cladding of its uranium fuel. Several of the drive devices that push each of the 80 control rods into the reactor failed. Several zircalloy tubes containing uranium fuel were found to have cracks.

• No Safety Hazards—Neither failure constituted a safety hazard. In fact, the failure of the control rod drives left the rods in position to shut down the nuclear activity in the reactor. The cracks in the fuel cladding conceivably might have led to failure of these fuel rods when they were subjected to intense heat. That would have required a

shutdown for replacement of the faulty rods. But the Dresden plant is still months away from operating at high temperature levels.

The creation of neutrons in a nuclear reactor causes the atomic "fire." Control rods "cool off" the reaction by absorbing some of the neutrons before they can hit and fission uranium atoms. Thus, the fission level, as well as the actual temperature, in the core of the reactor can be raised by removing, or partly removing, control rods. With all the rods fully inserted in the reactor, the fission process ceases.

Dresden's control rods are inserted into the reactor from below. They are pushed in and pulled out of the reactor by a hydraulically driven drive rod. Drive rod and control rod are connected by a steel pin that is designed to break if the drive mechanism fails to operate

properly.

• Source of Trouble—At least three of the drive mechanisms went out of order at the close of October. Plant operators found they were defective on Oct. 31 when operation of the rod-control mechanisms failed to step up the activity of the reactor. Commonwealth Edison officials believe they may have been damaged during shipping from the manufacturer. At any rate, the reactor was shut down on Nov. 6. All 80 of the drive mechanisms were removed from the reactor and examined and all defective ones replaced.

• Equipment Is Re-Inspected—General Electric Co., builder of the Dresden reactor, had discovered the crack in the zircalloy fuel containers some days carlier. Though invisible to the naked eye, the cracks penetrated half the thickness of some of the containers. On Oct. 26, GE decided to send some of the fuel elements back to its San Jose (Calif.) plant for re-inspection. The faulty tubes are being replaced.

Commonwealth Edison also ordered new parts for the steel pins connecting the drive rods and the control rods.

"The need here," says Commonwealth Edison Vice-Pres. Murray Joslin, "is to hit the right balance between a pin designed to shear and one that's shearing too soon. It takes field tests to determine that balance."

• Mock-Up Tests—Another Commonwealth Edison spokesman pointed out that the drive mechanisms that failed had gone through some 30,000 hours of testing in mock-up at the manufacturer's plant. That is why he suspects that they were damaged during shipment to Dresden.

By Nov. 25, three weeks after the trouble developed, Commonwealth Edison had all of the control rods back in position. And on Nov. 27, Dresden "went critical" again—started producing the fission reaction.

Dresden first went critical last Oct. 15. It was immediately shut down. For testing purposes, it has been put into operation and shut down often.

"Any new plant encounters some difficulty during the startup period," says Titus G. LeClair, Commonwealth Edison's manager of research and development. "So far, Dresden is not encountering an abnormal share."

 Boiling Water Reactor—Dresden, the second large atomic power plant built in the U.S., will have a generating capacity of 180,000 kw. It is the first large power plant utilizing the boiling water reactor, boiling water in the reactor and delivering the steam directly to a turbine.

The pioneer atomic power plant, built at Shippingport, Pa., and operated by Duquesne Light Co., was completed in 1957. It heats water under pressure. This, in turn, heats more water to make steam, which is delivered to the turbine.

Duquesne Light officials say they had no equipment failures when the Shippingport atomic plant was being put into operation.

Industry Claims House

An almost audible sigh of relief is coming from the executive offices of hundreds of the nation's industrial companies. Scandal has sent the television and advertising businesses scurrying to clean up their practices. But most of industry's managements, thankful that business generally is not on the public griddle this time, are convinced that their own corporate morality has never been better.

"Business," says a Midwest manufacturer, "doesn't operate on a 'payola' basis. The TV scandals have certainly produced a storm of publicity. But they're not a sign that we have entered a new era of business moral laxity."

Scores of other businessmen echo this manufacturer. In the last half-dozen years, they say, their corporate ethical standards have improved no end: Their companies have ceased giving Christmas presents to customers and suppliers, and their employees aren't allowed to accept gifts; their companies' advertising has been watched more and more closely to make sure it does not misrepresent products; their companies' entertainment budgets are closely watched.

In only a handful of cases have businessmen been prompted by the newspaper headlines seriously to re-examine their own operations for possibilities of laxity. No matter how loud the furor over TV scandals, most see no need to change their methods of insuring business morality.

• Righteous Brass—Business reaction to TV's and advertising's troubles contains a degree of sanctimoniousness. That's what BUSINESS WEEK reporters found this week when they talked with several hundred manufacturers and bankers.

There is, unquestionably, some justification for this holier-than-TV attitude. It reflects the situation among the substantial companies that do the bulk of the country's business; it was their attitudes BUSINESS WEEK was particularly interested in exploring. A sales vicepresident of a West Coast steel com-pany sounds off: "I move around a lot and I don't see corruption in fancy expense accounts, in hunting trips, in gifts. A buyer of metal products for one of the big aircraft companies out here hasn't gone out for lunch with a metal products supplier for eight years. This isn't uncommon. Lately, I took an order for \$1-million worth of steel for a nuclear energy project, and I couldn't take the buver out to dinner.

• Gifts Prohibited—In the last few years more and more companies have banned giving or receiving Christmas gifts. The president of a Milwaukee company recalls: "Twenty years ago our purchasing department used to get hun-

dreds of Christmas gifts. It got so bad one year that we piled all the loot in the auditorium, put numbers on the packages, and passed out tickets to the employees for a drawing. Now we neither give nor receive gifts."

In scores of companies that have no outright ban on gifts there's this standing rule: "If you can't eat it or drink it in one day or at one sitting, it must be refused." One variation goes: "We don't permit our employees to accept anything worth more than \$10.... You can't bribe a man for ten bucks these days."

• Moral Standards—Apart from these standing rules and seasonal strictures, many businessmen in manufacturing fields—especially those turning out capital goods—believe they escape the kind of trouble TV is having because they and their staffs have a wholly different attitude toward business. Says a Southwest manufacturer: "Business morals generally aren't lax. All the present hullabaloo has arisen just because those crumbs in Hollywood and Madison Avenue are getting caught up with at last."

A New York machinery maker echoes him: "Show business—and its ethics—are a world apart." And a Midwest utility executive talks of that different attitude this way: "Where you have a high degree of employment stability you have less chance of things like this TV mess developing. But a business with a high turnover, with lots of transients and drifters moving in and out of it, is wide open for such a mess."

• Chinks in the Armor–But when you probe a little deeper among businessmen, it becomes an open question whether all this sanctimoniousness is instifted.

justified. There

There is the case of a Southwest manufacturer of missile components. This week, he told a BUSINESS WEEK reporter: "Our employees are fine; there's nothing corrupt about them. It's me—and the rest of our management—that I worry about.

"We engage in a corrupt practice and so do our competitors, and our problem is getting bigger all the time. We have found that government engineers who deal with us on missile contracts expect more and more luxury

entertainment and gifts.

"Last month our bill for entertainment, listed as 'selling expenses,' was \$1,553. This doesn't include ordinary expense account items. It covers direct giveaways of liquor and stuff that can't be categorized elsewhere. These 'selling expenses' for 10 months of 1959 total about \$17,000. We write all this off as a business expense on the income tax. But it's pure graft. Our competi-

Is Clean

tors are doing it, and we have to do it,

"I don't know what's ethical and what's unethical any more. In business generally, in our personal and corporate life, we sit down and figure the tax effect of everything we do; we're always

looking for angles.

• Ill at Ease-In the responses of some more of the management men to whom BUSINESS WEEK reporters talked this week, there's a hint of unease about tax angles and expense account living. Nobody comes out against it, of course. Like a West Coast manufacturer, they say instead: "It's the continuing pressure of tax laws that tends to produce some excess on expense accounts.'

There's more direct hint of unease in strongly-worded letters on the subject of giving and receiving sent in the last few weeks to employers and suppliers by Gulf Oil Corp.'s Pres. William K. Whiteford. In his letter to suppliers, Whiteford said: "It has come to our attention that some companies supplying Gulf . . . have felt it necessary in order to obtain or retain Gulf's business, to make gifts of various sorts or payments of commissions . . . or to extend credit or make loans to Gulf employees or to business entities in which such an employee may have an interest. Nothing could be farther from the

Even where less direct action has been taken, some businessmen who have been pondering about fixes and payola are ill at ease. Says a vice-president of one Midwest manufacturing company: "Advertising agencies have encouraged a tricky type of sellingthrough misrepresentation and extravagant claims. Business itself has a lot of integrity but often, through ignorance and careless supervision, has allowed advertising hucksters to establish dramatic but completely false sales practices. I hope these scandals will shake us up and restore proper supervision of advertising departments.'

· Meanwhile, on Madison-And what of those hucksters? Says one Madison Avenue agency: "Every industry has its sticky-finger boys. Generally our ethical

standards are pretty high.'

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Most advertising executives believe their business standards are higher than they have been in other booms. The TV scandals will make them higher, most agree, by putting all the agencies on their guard against loose practices.

One top agency executive says: "We're watching our skirts, but business will go on pretty much as usual. We'll evaluate what we do more carefully. But don't expect any drastic changes."

Business Sees Itself Untarred by TV Scandal's Brush

"These scandals are confined to the Madison Avenue crowd. You won't find that sort of thing in the manufacturing part of the business community."

- St. Louis manufacturer.

"Look into all the so-called scandals and you'll find consumer-type advertising is at the bottom of it. If anything needs to be cleaned up it's not our concept of business, it's our concept of mass media advertising."

— Treasurer Rudolph Bauer of Industrial Wire Products Co.

"TV quizzes are like the prize fight racket . . . but I don't believe there's any change for the worse in general business morality."

- West Coast utility executive.

"Business ethics are certainly no worse now than in the past. All this TV fuss was born in a night and will blow over in a day."

- Pres. William S. Cutchins, Brown & Williamson Tobacco Corp.

"Business practices are less scrupulous and more corrupt than I can ever remember. They've gradually gotten worse ever since 1945."

- Midwest manufacturer.

"Our competition buys about 75% of their business by giving away a month's supply of frozen beefsteaks to purchasing agents." -Texas oil tool manufacturer.

"The company buys on the basis of cost and services and not on the basis of gratuities . . . despite what former employees may say."

- Gulf Oil Corp. letter to employees and suppliers.

COURSINGS WHEN



that ran from 8 p.m. to 2 a.m., with five different wines served.



GOING, GOING . . : Auctioneer at microphone keeps up his patter while assistant at left watches for bidders' signals.

France Kicks Off Great Year for



NEW CHEVALIER is installed with Gallic salute. He is Dr. Eugene Aujaleu, director general of French Public Health Service. His election tied in wine with health theme.

To Americans, 1959 will go down as the year of many things—the big steel strike, the Khrushchev visit and the Russian moon shots, the Treasury's "magic fives," and Detroit's compact cars. To the French, 1959 has only one meaning—a great vintage year, maybe even "the year of the century."

Just how good a year it is counts as a matter of prime economic significance to the French. Wine-growing accounts for nearly 10% of France's agricultural income; in terms of the foreign exchange it earns, wine ranks as the nation's sixth most valuable export. A poor year can affect France's balance of payments and almost certainly entails some belt-tightening by those with a stake in the wine business. A good year means a lift in foreign exchange and profits; a great year can be like bringing in an oil field.





BIGGEST BUYER was Andre Boisseau, head of Patriarche, a leading French wine house. He's raising bid by 5,000 francs.



THUMB UP by buyer for Paris Lido indicates a 1,000-franc boost in bid on first lot of red wine that was put up for sale.

Its Wines

The trouble is that there have been few really great years. Many wine experts look upon 1900 as a great vintage year, and 1929, up until now, has been considered the year of the century. There have been a number of good years since 1945—including '47, '49, '52, '53, and '55. But in 1956, a frost killed many vines and cut the crop to a minimum; 1957 was not much better in quantity or quality, and 1958 was also a poor year.

After three bad years, 1959 looks extremely promising. The hot, dry summer, which ruined France's fruit and vegetable crops, was good for the wine. Brokers and shippers began speculating in crops even before the harvest, which could have been ruined by rain. Fortunately, the rain held off.

It is still too early to say whether 1959 will be "the" vintage of the 20th



AMERICAN BUYER Frank Schoonmaker boosts bidding a notch. He wound up as probably the biggest of the foreign buyers, with about \$35,000 worth of wine, 10% of the total.

Century. The final verdict won't be in for two or more years, after the crop has been bottled. But those who deal in wine are already betting that way.

• Auction Trend—This was clearly indicated at the traditional Hospices de Beaune sale of new wines, which is an annual event in Beaune, center of France's Burgundy wine area (pictures

on preceding pages).

Hospices, a charity hospital, has some 125 acres of the finest vineyards in Burgundy and each year sells its wine at a public auction. Most wine sales are private affairs between grower and shipper, so the Hospices sale provides one of the few clear-cut guides to how the wine trade regards a vintage.

One good sign was the size of the turnout. French and foreign buyers arrived in droves, snapping up all the hotel rooms, swamping the cafes. Because of the crowd, the Hospices held the sale in Beaune's public market

place, rather than in its own salesroom.

The bidding was even more impressive. It went on for seven hours, about twice the usual time, and brought in \$350,000, almost three times the take on the 1957 crop, which had produced the previous record. The 1959 crop produced about 281,000 bottles compared with only 73,000 in 1957, so that the average price per bottle was about the same.

 Quality Conscious—Admittedly, the charitable aspect of the Beaune sale leads to some inflation in prices. Buyers sometimes overbid because it's good publicity. This year, for instance, one wine buyer paid up to \$3 a bottle for some of the Hospices' white Burgundy, a price that was considered out of line.

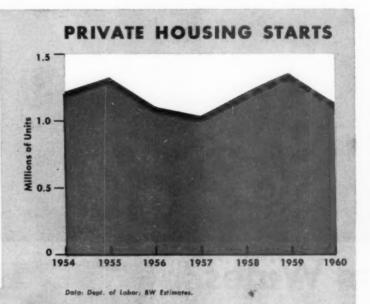
Even though this year's crop will not be ready for drinking until 1962 at the earliest, it looms as the most profitable in at least the last decade. That's because the quantity has increased along with quality. Foreign buyers, particularly Britain, Belgium, and the U.S., are getting more and more "vintage conscious," and appear willing to pay more for a good year than for the lesser vintages.

• Vintage Premium—Actually, only a small fraction of French wine enjoys the distinction of a vintage label. Most of the French crop is "vin ordinaire," which is often blended and sold in bulk. This is the wine most Frenchmen drink (their annual wine consumption averages 34 gal. per capita, compared with a U.S. average of 0.8 gal.).

The fine vintage wines, however, are what bring in the foreign exchange. Of the \$110-million in French wines and spirits exports last year, cognac accounted for \$35-million, fine wines \$26-million, and champagne \$20-million. This year, wines alone may bring in \$40-million.

THE SHAPE OF

One of a series of analyses of key elements in next year's business situation.



Mortgages Will Be the Pinch

Homebuilders face a year of frustration in 1960.

There will be plenty of potential buyers flush with cash and growing incomes, ready to buy bigger and better houses. But mortgage money will be so scarce and expensive that only the most fortunate builders will find enough financing to fulfill all of their plans.

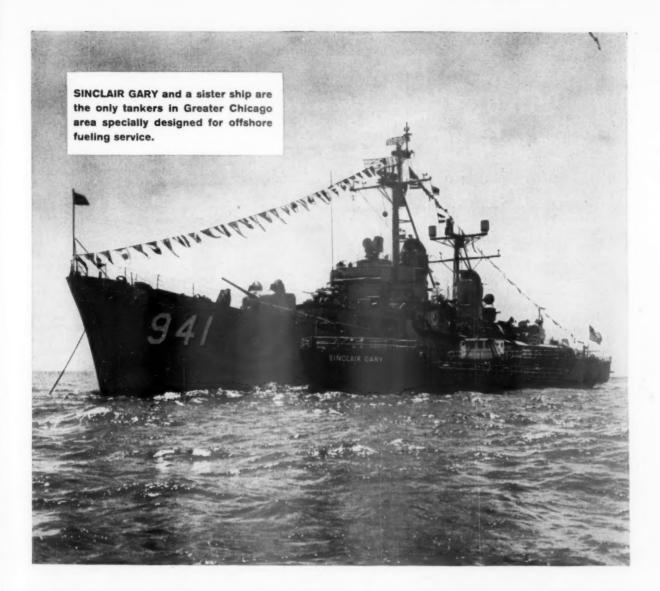
What this nets out to is a year of about 1,150,000 home starts, a sharp drop of almost 14% from 1959's likely total of 1,330,000 private homes started. Starts had already slumped to an estimated annual rate of 1,180,000 in October, but part of the shrinkage was

caused by the steel strike and temporary shock factors.

The 1960 decline, however, will be the real thing. Though builders will still get enough money to keep starts around a 1.2-million a year rate during the early part of the year, continuing tight money will pull starts below a 1.1-million annual rate by yearend.

 Call to Arms—To homebuilders and their Congressional friends, this prospect constitutes a call to "do something for housing." The National Assn. of Home Builders is getting ready to ask Congress for a "central mortgage bank" system to get around the effects of tight money (BW-Nov.28'59,p41). NAHB's finance committee held an emergency meeting in Washington this week to consider this and other devices to funnel more money into the building industry. Long before the spring construction season rolls around, the builders and their numerous supporters will be pressing the Federal Housing Administration for easier mortgage terms and demanding that Congress pump more money into home mortgages through the Federal National Mortgage Assn. (Fanny Mae).

Actually, 1960 should be a good homebuilding year by most past stand-



Only Sinclair Could Quench This Navy Thirst

This year, for the first time, deep-water ships of the U. S. Navy sailed the Great Lakes. A task force of 22 vessels visited important ports on a special training mission. And, having traveled light to pass through the new Seaway, 22 ships were thirsty for fuel by the time they dropped anchor at Chicago, far from home base.

To quench this thirst the Navy called on Sinclair Refining Company, the only supplier equipped to make volume deliveries offshore. In a round-the-clock operation, 2,500,000 gallons of heavy oil were pumped into ships' bunkers. The task force sailed on schedule.

The ability of its marketing subsidiary to deliver

quality products with the most modern equipment is one reason why Sinclair Oil Corporation, measured by total assets, is the *nation's sixteenth largest industrial company*.



Sources of Funds for 1 to 4-Family Mortgages

Billions of Dollars		758	1959 est.	
Life Insurance Cos.	.\$	0.9	\$	1.2
S & L's		5.2		7.0
Savings Banks		1.5		1.2
Commercial Banks		1.3		1.7
Federal Agencies .				1.8
Individual & Others		1.3		1.1

TOTAL .. 10.2 14.0

* less than \$50-million

Data: James O'Leary, Life Insurance Assn. of America.

GOUSINESS WEEK

ards. The likely total of 1,150,000 starts is almost exactly the average for the past 10 years. In dollar volume it should top every year except 1959. That's partly because land and building costs are higher, but also because customers are buying larger and more luxurious homes.

Potentials—Homebuilding could easily get to 1.2-million starts or even higher if money conditions should improve. In fact, many Wall Street analysts and housing experts—including NAHB economist Nathaniel Rogg—are forecasting starts in the 1.2-million

Much of this optimism is based on the fact that the Treasury's demand for new funds will be smaller next year. And many mortgage lenders hope that after the Treasury's tax collections the pressure on the money market will relax next spring and thus make more funds available for housing.

But the sharp dip in housing starts in October—and the probable effects of the long steel strike on tax collections—has dispelled much of this optimism in recent weeks. In any case, as Gordon McKinley of the Prudential Insurance Co. points out, the seasonal swing in the Treasury's income and outgo has never been reflected in market interest rates in past years.

Capital Spending—Thus, unless Congress rides to the rescue with extra funds for Fanny Mae, there's little relief in sight for home financing. Any easing in the Treasury's demand for funds will be more than offset by mounting demands from business to finance inventories and to raise working capital. And as the year progresses, corporations will draw more heavily on the market for long-term funds to pay for new plant and equipment.

Despite the cloudy outlook for home finance, however, builders will have little to worry about in selling their product. In most areas, they can still count on a strong market for homes next year. And for the country as a

whole, demand will be propped up by a basic need estimated to be at least 1.4-million housing units. This basic demand is shaped by the following factors:

 About 900,000 new nonfarm households will be formed. Few of these will move into new houses, but they'll have to live somewhere.

 Some 300,000 homes will be destroyed to make way for highways, urban renewal, and other building projects.

 Roughly 200,000 units will be abandoned because of deterioration and obsolescence.

Part of this need, of course, will be met by trailer houses, conversions, and improvements of existing housing units. But there will be plenty of demand for new homes—especially for roomier, higher-priced houses.

• Rising Incomes—Bigger family incomes will make the housing market even more attractive. About half of all families already have money incomes of more than \$5,000; this group will be joined by many more families next year as the business upswing continues. Income gains—together with larger families—mean a greater effective demand for houses. Many a home buyer will be seeking a bigger house with extra bathrooms and other features to shelter a family that has outgrown a smaller home bought in earlier postwar years.

At the other end of the scale, there will be a healthy demand for apartments and other rental units. That's because much of the increase in households comes from separate establishments set up by single individuals and young couples. Older couples whose children have grown up and live separately will add to this demand. These population trends are already reflected in an apartment boom that has been gaining momentum since 1957. Apartment building this year will set another postwar record with about 220,000 units started. Though there are signs of spot overbuilding in such metropolitan areas as New York, Los Angeles, and Dallas, mortgage lenders foresee only a slight slowing-if anv-from the 1959 rate of apartment starts.

• Medium Prices—Most of housing's tight-money troubles will show up in the medium-priced housing field. While apartments and the more expensive homes are financed almost entirely with conventional mortgages, government-backed mortgages play a dominant role in financing home sales in the \$10,000 to \$20,000 price range. VA mortgages—which carry a 5½% interest rate—are already hopelessly below market rates. And although FHA mortgages now carry a 5½% rate, discounts of as much as five points are common in many areas. (A five-point discount means that a builder receives only \$95 for every

\$100 of the face amount of a mortgage loan.)

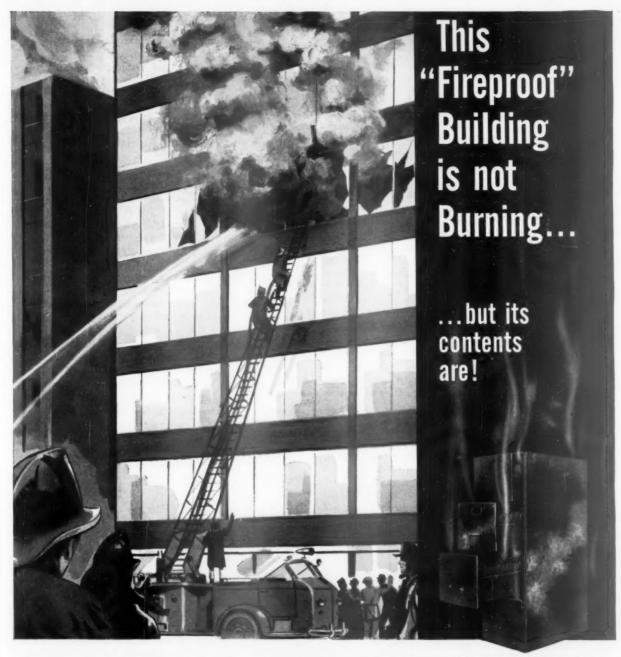
Discounting—and higher mortgage rates in general—are already having their effects on home prices. Many builders are raising prices by \$500 or more just to cover the added cost stemming from discounts. And because of higher home prices and stiffer interest charges, mortgage lenders are demanding bigger downpayments and evidence of higher incomes before approving purchases.

The squeeze on builders-and buvers -of medium-priced homes will be reinforced by the shift in funds among lending institutions (table). Mutual savings banks-which usually are big buyers of government-backed mortgages -have fared poorly this year in the competition for savings. And in October, they were dealt a body blow by the Treasury's "Magic Fives" which siphoned away about \$200-million from savings deposits. Savings banks, as a result, have cut back sharply on new mortgage commitments and may remain cautious for several months while rebuilding their liquidity. At the same time, commercial banks are reducing their mortgage commitments to take care of the demand for business loans. · Savings and Loan-Money for conventional mortgages, on the other hand, should be almost as plentiful next year as in 1959. Savings and loan associations-the chief suppliers of conventional funds-should continue to attract a growing share of consumer savings. S&Ls, therefore, may boost their home loans by \$500-million or more above this year's \$7-billion total.

Life insurance companies are also planning to maintain their mortgage lending close to 1959 figures. But since the life companies prefer to steer clear of discounting on government-backed mortgages, much of their lending activity will also be concentrated in the conventional area.

Besides the usual effects of tight money on housing, high money rates pose still another problem for homebuilders and mortgage lenders: Usury laws in 11 states—including New York, New Jersey, and Pennsylvania—limit the permissible interest charge on home loans to 6%.

Legal interpretations differ in each state as to what constitutes interest under these laws, but market rates are now close enough to the 6% limit to cause plenty of apprehension among mortgage lenders. Future commitments are now being made by lenders in several Eastern states at a three-point discount on FHA mortgages. But lenders point out that a four-point discount on a 30-year loan—if passed on to the home buyer—would violate the usury laws in states with a 6% limit. Thus, if money rates go any higher, mortgage lending could dry up rapidly in these states.



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In Business

Dock Peace by End of T-H Injunction Seen as ILA Accepts 41¢ Package

Waterfront employers and the International Longshoremen's Assn. reached a basic agreement at midweek that virtually assures continued dock peace when a Taft-Hartley strike injunction runs out in three weeks.

The dock dispute appeared headed toward a vote on management's final offer when, a week ago, bargaining guided by federal mediators took a turn for the better (BW-Nov.28'59,p28). Issues were cleared away, one by one.

The result was a settlement covering some 20,000 longshoremen from Maine to Virginia. It is expected to be a pattern for others down the Atlantic and around the Gulf Coast.

Basically, it provides 22¢ an hour in wage increases over the next three years—an immediate 12¢ and 5¢ more in 1960 and 1961—plus an estimated 19¢ an hour more in fringes.

Employers agreed not to cut work gangs under a standard 20 men. An ILA demand for higher pay for handling shipping containers not packed on the piers will go to binding arbitration if it isn't settled otherwise.

Steel Deadlock Continues

Pres. Eisenhower warned this week that the government doesn't intend to sit idly by if steel management and labor fail to settle their contract dispute before a Taft-Hartley injunction runs out Jan. 27. He did not indicate what action might be taken—or when it might be. But he made clear that the Administration doesn't intend to allow any resumption of a crippling steel tieup.

At midweek, steel contract negotiators had made no progress toward the "vital settlement" called for by the President.

The industry said it intended to stand pat on a "last offer" made two weeks ago—by its estimates, 30¢ an hour more in wages and fringes over three years. The United Steelworkers called it a "completely unacceptable" 22¢.

Meanwhile, Lukens Steel and USW announced that they have settled local issues and signed an interim agreement. Economic terms finally negotiated in the national bargaining will be put into effect in Lukens mills.

Salk Vaccine Antitrust Case Dismissed By Judge as Unproved by Government

Federal Judge Philip Forman this week threw out the Justice Dept.'s charges that five major producers of Salk vaccine had criminally conspired to fix prices charged to federal and state governments. The anti-trusters cannot appeal the ruling in the criminal case, and observers doubt that they will file a new civil suit with similar charges.

The charges against Eli Lilly & Co., Allied Labora-

tories, American Home Products Corp., Merck & Co., and Parke, Davis & Co. were heard in the Trenton (N. J.) district court.

Forman's ruling, made on a defense motion to dismiss after the government had presented its case, held that the government's case rested on "conjecture and suspicion."

Two New Anti-Smog Devices Aim at Fumes From Automobiles

Nitrogen oxides and unburned hydrocarbons are among the chief villains in smog caused by automobiles. This week two new attacks on the problem were an-

The Automobile Manufacturers Assn. says a new system that can be installed for as little as \$10 will do away with that part of the hydrocarbon vapor which squeezes past the pistons into the crank case and thence through vents into the air. The new system will trap the vapor and return it into the firing sequence to be burned; it will not lessen the larger flow of hydrocarbons through the regular exhaust system. The AMA device will be offered on all 1961 models sold in smog-plagued California.

A more direct approach, developed by the Franklin Institute Labs for the Air Pollution Foundation of San Marino, Calif., attacks the exhaust gases themselves, using a catalyst that cuts down primarily the nitrogen oxides.

How Big a Fatted Calf? McElroy Returning to P&G in New Post

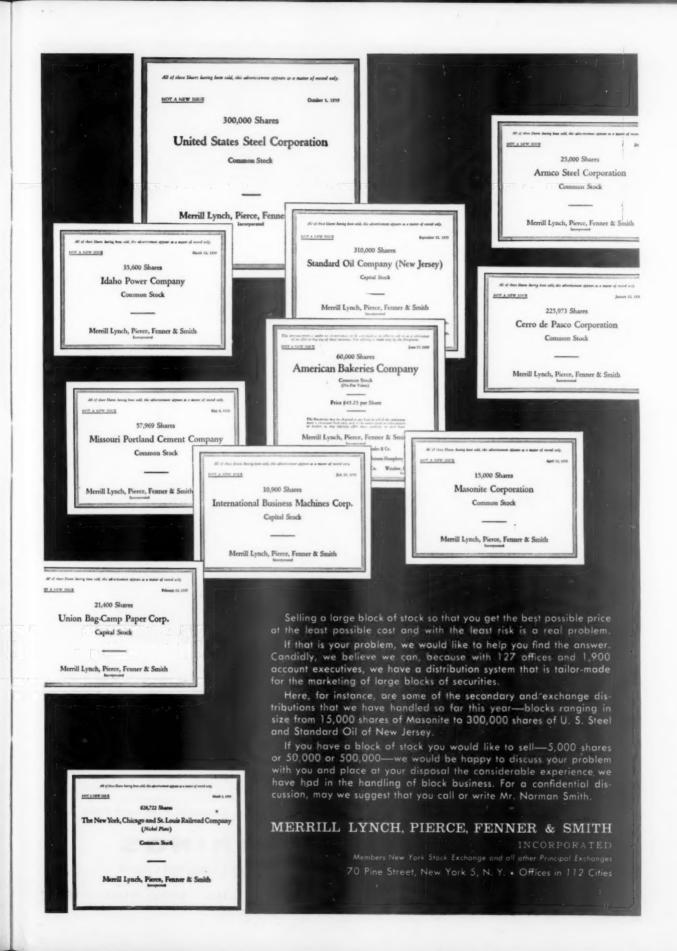
Neil H. McElroy, former president of Procter & Gamble, now returning to the soap business after two years as Defense Secretary (page 24), may be beginning to suspect that you can't really go home again. For Chmn. Richard R. Deupree, 74, announced that he would ask the board to make McElroy chairman; Howard J. Morgens, who succeeded McElroy, will continue as president.

Procter & Gamble does not designate an official chief executive officer, but in fiscal 1958 Pres. Morgens was paid nearly three times as much as Chmn. Deupree (BW-Jun. 13'59,p46). Now, the company isn't saying what Chmn. McElroy will be paid.

High-Efficiency Water Converter

A vapor compression system has been picked for the fourth of five plants to be built by the U.S. for converting saline water (BW-Mar.7'59,p69). The relatively small (100,000 gal. per day) plant will be built either in the northern Great Plains or the arid Southwest.

The system was developed at Yale; it boils water, collects and compresses the steam. The compression produces heat, which becomes the principal heat source for further boiling. Efficiency is high, with 1 lb. of fuel oil producing 200 lb. of distilled water.



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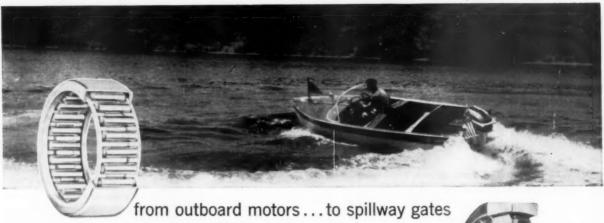
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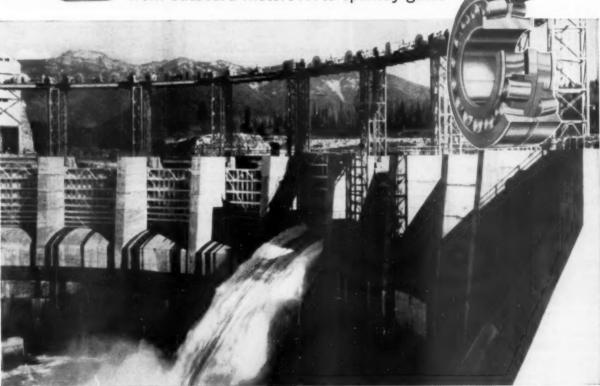
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WASHINGTON OUTLOOK

WASHINGTON BUREAU DEC. 5, 1959



The political outlook for 1960 comes into sharper focus.

A swift series of events, affecting both parties and most of their principals, top off an illuminating week. All the answers are not yet clear—it is, after all, still 11 months to election time. But some major questions have to be viewed in a new light. From the Capitol to the Corn Belt, here's how it looks:

The issue of Roman Catholicism, which has worried a lot of Democrats all along, now is a tough one. It has come in a straightforward, above-board fashion—injected by the church itself.

Sen. John F. Kennedy's Presidential chances appear to have taken a severe blow in the controversy that centers, for the time being, around the question: Should U.S. foreign policy embrace assistance on birth control programs for nations that seek such help to control runaway population growth? Catholic bishops of the U.S. formally answered this question with a resounding, unqualified no.

The biggest problem for Kennedy is not that he has sided with his church, although that unquestionably will influence Protestants to whom the strict separation of church and state is a basic article of both political and religious faith. Rather, as the most experienced political observers here view it, his major problem is that the issue of Catholicism once raised will not go away quickly, if at all.

In this view, the issue will persist in the public debate and the longer it persists the more harmful it is to any Catholic's chances to gain the Presidency.

A dilemma is raised for the Democratic Party. Leaders feel that if Kennedy now fails to win the nomination of his party, the Democrats will be accused of shunting him aside merely because of his religion.

Adlai Stevenson's Presidential prospects rise sharply, as Kennedy's go into decline. Many party officials reason that the Democrats can turn to him with ease and a minimum of embarrassment—as the best-known and perhaps most popular of their potential candidates. To pick any of the "newer faces," so this theory holds, would indisputably alienate the votes of the American Catholic population, a great many of which are traditionally Democratic.

The exhumed "Taft memorandum" on 1952, in which the late Ohio senator set down his analysis of his failure to win the Republican Presidential nomination from Dwight Eisenhower, created a flurry in the press, then disappeared from public view.

It is having considerable impact, however, in the strategic moves by the two contenders for the 1960 nomination—Vice-Pres. Richard M. Nixon and New York's Gov. Nelson A. Rockefeller.

The memo—dictated by Taft shortly before his death in 1953—blames Eastern financial interests for his defeat. The analysis is suspect, mainly because of one glaring omission. Taft failed to take any account of Eisenhower's great personal popularity—an appeal that was demonstrated by the rush of Democrats to the Republican fold in the 1952 election.

WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU DEC. 5, 1959 been satisfactorily explained. They are, first, who "leaked" it to the press and, second, what was the motive. Even the memo's "message" is not clear, although its publication apparently was intended to suggest that a parallel situation is developing in the Nixon-Rockefeller contest—with the governor cast in roughly the Eisenhower role of 1952.

Nixon's people disavow any parallel. They point out that the Vice-President is the principal political beneficiary of the Eisenhower triumph, and moreover they expect substantial help from financial interests in the East.

To underscore the point, they have now let it be known that among the Vice-President's backers are some substantial Easterners—including two of Eisenhower's closest golf-playing friends, W. Alton Jones, chairman of Cities Service Co., and W. E. Robinson, chairman of Coca-Cola Co.

The Rockefeller camp reacts with a move designed to put fresh attention on Nixon's undisputed popularity with the Republican Party's professional apparatus.

The line from the governor's side is that, if a Nixon-Rockefeller race does develop, it will amount to a contest between the people and the pros. This comes hard on the heels of advice from the Nixon side that Leonard W. Hall, one of the GOP's old pros and a leader in the Vice-President's campaign thus far, was never intended to be—and will not become—the Nixon campaign manager when the time comes to choose one.

In the Corn Belt, an important election campaign is under way. The stake is small—merely one Congressional seat, for the 4th district of Iowa. But the result of the special election, set for Dec. 15, will be examined in the top political councils of Washington from every angle for clues to the political temper of the Midwest.

Agriculture Secy. Benson's policies are the prime issue (BW—Nov.28 '59,p25). The 14-county district in south central Iowa is in the heart of the corn-hog country. Declining over-all farm income, and especially the sharp break of recent months in hog prices, has farmers complaining—and Republican strategists, looking ahead to 1960, worried.

The Republican candidate hurries to disavow Benson. The GOP nominee, Bloomfield clothier John J. Kyl, has declared in favor of farm price supports pegged at 100% of parity—the antithesis of the Benson approach.

The Democratic candidate hits hard at Benson. Grinnell College Prof. C. Edwin Gilmour, an Iowa state senator, offers no alternative farm program, bids to get to Washington merely to fight the Benson-Eisenhower program.

Disavowal of Benson may become a routine thing for GOP candidates in the Midwest, where a strong Democratic trend—evident since 1954—became particularly strong in 1958. The Iowa 4th is a case in point. It has existed in its present form since 1931. Not until 1958, when the late Steve Carter beat Kyl by 150 votes out of 82,000 cast, did it ever send a Democrat to Congress. This explains the feeling among both top Democrats and Republicans that the coming election in the Iowa 4th could be the most meaningful of any held in 1959.

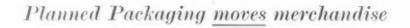


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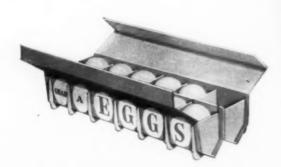


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H. L. Green Starts a New Chapter

The chain is trying to make up for ground lost through shortage discovered in Olen Co.'s books after merger with Green.

Last April, the financial community was shocked by an airing of dirty linen at H. L. Green Co., variety store chain with \$100-million-a-year sales. A deficiency of at least some \$4-million was reported in the books of Olen Co., Inc., which had merged with Green in November, 1958. The shortage stemmed principally from an overstatement of Olen's inventories and an understatement of its current liabilities (BW-Apr.4'59,p113).

The news was a shock on a number of counts. Any big inventory overstatement evokes memories of Philip Musica's swindle at McKesson & Robbins in the 1930s—and raises the question of whether inventory manipulations on such a large scale are still possible.

Maurice E. Olen, regarded as a boy wonder in the merchandising field, has been forced to resign as Green's president; he faces a law suit for recovery of

• Jury Hears Story—This week, it looked as if the pieces of the Green-Olen puzzle would be fitted together for all to see. A federal grand jury in New York wound up hearing testimony on the affair, and if government attorneys are correct in their predictions, indictments will be handed up in a few days. If they are, the details contained in the charges will lay open a story of how the Green chain relied on a financial statement that proved inaccurate—and how it is still paying the consequences.

In a few days, Green's new president, Joseph H. Unger (picture), will report favorable nine-month earnings, but the chain still is not running in the clear. A group headed by Maxwell Gluck, president of Darling Stores and former U.S. Ambassador to Ceylon, promises a proxy fight at the next stockholders meeting in April, and another group, headed by Jack Wolgin of Philadelphia, is in a legal squabble with Green that may give Wolgin 9% of Green's stock. Still, Green appears more stable than it has been for yearsand, ironically, the credit seems to go more to the Olen merger than to any other single factor.

In 1958, when Maurice Olen appeared on Green's scene, the company was sorely in need of something new. It was one of the smaller five-and-dime chains (operating 224 stores in U.S.

and Canada), and its postwar sales and earnings records were lackluster even against its competitors, which had been having their own problems in getting a share of the consumer's dollar.

Green's sales in 1950 were \$101.9-million; by 1957, they had risen only to \$110.6-million. Earnings per share in that same period declined from \$4.47 to \$2.72. Part of the trouble was that from 1947 to 1957 Green opened only 10 new stores.

• Olen's Attractions—In contrast to this mediocre showing, the performance of another retail chain, Olen Co., looked spectacular. From only two stores in 1945, it had grown to a network of more than 120 by 1958. Sales increased from about \$300,000 to \$20.7-million in the fiscal year ending Jan. 31, 1958. Pretax profits, its books showed, also rose impressively. Chief factor in this growth, the trade agreed, was Maurice Olen, a graduate of the University of Chicago, who began to determine the policies of Olen Co. in 1946 at the age of 22.

From Green's standpoint, a merger with Olen looked ideal. Olen and the young crew of able merchandisers around him would give Green the aggressive management it needed so badly. Olen Co. stressed apparel and home furnishings in its junior department stores, as opposed to the general variety merchandise that Green sold. All of Olen's stores were self-service, while only 27 of Green's 22+ stores were laid out this way; the Olen stores, in addition, were located in growing Southern communities, where Green had no foothold. Olen Co. also made its own fixtures as a cost-saving measure.

Olen had still another telling argument for merger. He pointed out that Green was open to "financial raiders." Ownership of its stock was distributed in such a way that it would be relatively easy for outsiders to buy control. His presence could avert such a takeover, Olen argued.

• Consummation—Olen first got together with Green's management in the spring of 1958, but the actual merger didn't take place until November, with Green the surviving company. Meantime, Olen Co., Inc., floated a 100,000-share issue of common stock at \$10.50 per share. Before the sale, Olen declared an 18¢ quarterly dividend; the Securities & Exchange Commission since has claimed that earnings didn't justify that payment, but at the time Olen Co.'s books passed the scrutiny of the federal agency and other Wall Street sophisticates.

Green officials now say they had



NEW PRESIDENT, Joseph H. Unger, can report a profit for first nine months of 1959.

some questions about Olen Co.'s books—certified by Lewie F. Childree & Co. of Mobile—which Olen answered to their satisfaction. For example, its inventory was rather low, but then Olen Co. had a scientific system for inventory control.

His liabilities then were also a bit high, but Olen, say Green officials, plausibly explained that he had expanded so rapidly that he was a little slow in paying his bills.

• Routine Checks—In September, Green men made a spot check of the physical inventory of 25 Olen stores. They found everything in order, but Green charges now that, in fact, the assets were overstated—and that Olen knew they were although he represented them as accurate.

But Green's own accountants, reputable Scovell, Wellington & Co., did not probe Olen's operations. It made a review of Childree's audit working papers and reported to Green in late October that nothing out of the ordinary had come to its attention. "Looking back," says one Green man, "we exercised every prudent measure to establish the accuracy of Olen's books. After all, we couldn't pry into the bedroom of a man slated to be our president and dominant stockholder."

Green may or may not have erred in



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not looking more deeply into Olen finances. But some Wall Street men believe the company was so zealous to get Olen on its side that it was slow in discovering—and then in disclosing—the shortage in his company's books.

• Scare Statistics—After the November merger, Green officials say they had a hard time getting figures on Olen Co.'s Mobile warehouse operation. They didn't press at first as Olen pumped new blood into Green's management, laid plans for scores of new stores, and perked up advertising.

However, as the company's January, 1959, board meeting neared, Olen was pushed harder for the Mobile figures. Finally, he presented Dec. 31 statistics, which showed an increase of a little more than \$2-million in inventories from mid-1959. Since Dec. 31 is normally a seasonal low point for inventories, the figures were suspicious. According to Green management, Olen said he was planning a big spring promotional campaign and needed the merchandise, but the board still was disturbed. Its members asked Scovell, Wellington to verify the physical inventory made by Childree as of Jan. 31.

Scovell, Wellington concentrated chiefly on the Mobile area, since Mobile handled 50% of Olen Co.'s inventory. By mid-February, the accountants had run across so many discrepancies in the inventory figures that it reported it couldn't verify the January inventory. Green decided to take a whole fresh inventory at the end of February. Meantime, say Green directors, Olen insisted that it all was a matter of inventory "valuation."

• More Evidence—Toward mid-March, however, evidence piled up that the deficiency would be big. "Up to that time," says one Green executive, "we still didn't know whether Olen was merely overambitious or what." But it was then discovered that Green, through obligations of Olen, owed manufacturers big amounts not listed on the books. Alleges one Green man: "It was only then that we found that Olen had been grossly understating his liabilities."

Olen admitted his books were altered, Green management says; he explained that the reports had been made to get better bank credit and in late March delivered \$1-million as satisfaction for any shortage that might exist. "Olen was trying to create an air of good business and good profits," recalls a Green official. In fact, Olen may have paid more taxes than his real profits warranted. On this basis, Green has asked the Internal Revenue Service for a refund of \$3.6-million.

 Telling All—After Olen's \$1-million payment, Green had to offer stockholders some explanation. The board dumped its hot potato into the laps



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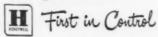
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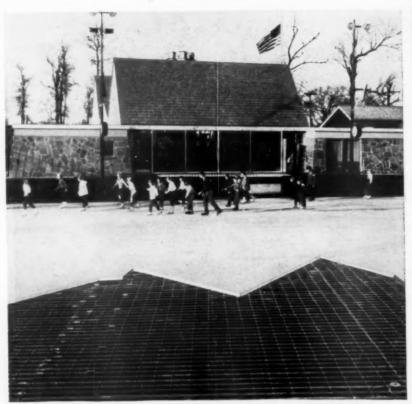
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of the SEC, which asked the company to make immediate disclosure of the whole situation. Until this time, Green men insist, disclosure might have been against the best interest of the company's stockholders, and they kept the incidents quiet. (Green's stock, however, dropped from a high of \$47.50 in February to \$39.87 in mid-March before the public disclosure was made.)

Olen's \$1-million, however, went only part way to cover the deficiency. When the auditing was finally done, Green's complaint against Olen charges, it showed that inventory had been overstated by \$2.3-million, and that accounts payable had been understated by \$2-million. But, fixed assets had been understated by \$1.1-million, so the shortage was reduced by this amount.

Green has been fighting to catch up ever since. The shortage cut deeply into 1958 earnings, against which some \$1.4-million was charged-equivalent to \$1.01 per share. As a result, net profits for the year were \$1.7-million, or \$1.22 per share-down from \$3.2-million, or \$2.72 per share in 1957.

This year's earnings also have been hit by adjustments in the books of Olen Co.-now Green's Mobile Div. In the first six months of 1959, the company showed a deficit of \$176,000, but nine-month figures show a profit of about \$210,000. To conserve working capital, Green has had to discard cash dividends for the time being. Instead, it paid two 1% stock dividends in August and November.

Further complicating Green's plight is a threatened proxy fight by Gluck, owner of 500 shares of Green common. In June, Cluck offered to buy \$4-million in Green stock at "fair market values"; in turn he would become a board member. But Green refused, and Gluck threatens a proxy battle.

Green also is trying to straighten out legal difficulties with Jack Wolgin, who claims he and a group of associates are entitled to 9% of Green's stock, through a complex deal. This suit is likely to be settled amicably.

• Adding Glamor-In 1959, Green will have opened 21 new stores-more than in the whole period between 1947 and 1957. Partly under Olen's influence, it has begun "trading up," broadening and "glamorizing" its merchandising.

Top officials say next year may be a period for consolidation. But it may also be a time for mergers and acquisitions. In February, 1959, Green bought for \$7-million a big block of shares in United Stores Corp., which owns 39% of the common stock of McCrory-McLellan Stores Corp. with an eve toward merging Green with McCrorv-McLellan Stores. If this comes to pass, it could start Green off on a whole new spurt of activity-one promised for it by Olen before he was upset. END



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C. M. Christie
President, The
Dayton Rubber
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This fascinating idea for a longer lasting, smoother running drive shaft at left is but one of many ideas by Dayton Rubber in our 54 year history. This type of creativeness has been a major contributing factor to our growth into one of the nation's top 400 industrial concerns.

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For two generations, new and different ideas have been the principal products of Dayton Rubber . . ideas that have taken the form of adhesives, pillows, gears, hose, insulation, mattresses, plastics, rollers, synthetics, tires, V-belts, etc. Today, we market over 188 widely diversified products, and have almost as many on the drawing boards.

Dayton Rubber has grown into something more than a rubber company. We're in the chemical, plastic, air frame and fixture fields as well. One of our newest jobs is to work with others for the Government to help make practical the exploration of space.

An extensive network of sales offices, distributorships and ware-houses covers every major U.S. market, to carry our new ideas to home and industry.

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More Funds for Country Banks

The Fed boosts their lending power, which is under seasonal pressure, by letting them count part of their cash in the vault toward their required reserves.

The Federal Reserve Board this week moved to permit banks to count part of the cash kept in their vaults as a portion of their required reserves—something that bankers have advocated for more than a decade.

The new vault cash rule adds about \$230-million to the banking system's reserve base—or some 10% of the total vault cash held by member banks. This still leaves the Fed with the problem of freeing close to \$2-billion more in vault cash. The Fed intends to string the process out so as not to disrupt total money supplies or its monetary policy. This could be done by freeing vault cash piecemeal, and offsetting the increase in reserves by selling securities.

Theoretically, if you assume that each dollar of reserves supports \$6 in loans, the banking system's lending power would be increased some \$1.4-billion, but it's doubtful if banks in fact will get such a significant boost in their lending ability. Moreover, the Fed says the move in no way signals a shift away from tight money.

• Helps Country Banks—The Fed's largesse will benefit mainly the smaller or so-called country banks and, to a lesser extent, those in the larger cities. Big banks in Chicago and New York–known as central reserve city banks—will feel the effects hardly at all.

Effective this week, country banks (with an 11% reserve requirement against their demand deposits) having vault cash in excess of 4% of net demand deposits will be permitted to count the excess as part of their required reserves.

The move should take some pressure off the country banks. Many of these banks keep a large store of cash on hand in order to get at it quickly and easilya problem not faced by banks in larger cities, which can get currency more readily from the Fed. What's more, they have experienced an unusually heavy run on their funds in past weeks; in fact, there has been a sharp extension in loans by New York banks to banks in the interior. The Fed estimates that excess holdings of country banks now amount to about \$160-million; most of the balance is held in larger banks outside of New York and Chicago.

Reserve city and central reserve city banks will be permitted to count vault cash in excess of 2% of their net demand deposits.

· Shade of Meaning-While the Fed's

move is not interpreted as a shift toward ease, its timing cannot be overlooked. The Fed was given the right to make such a policy change under a law passed by Congress earlier this year, which was designed to ease the inequities on smaller banks that have to keep large supplies of cash on hand. Congress authorized the Fed to free all of the vault cash holdings of banks, which average around \$2.2-billion.

Congress set no time limit for authorizing all vault cash to be counted as reserves—and it is up to the Fed to move at its discretion. Fed officials say an initial step was taken now because the central bank needs to make additional reserves available to the banks each year during the Christmas season to meet the temporary requirements of the economy.

Usually, the Fed, through open market buying of Treasury bills, supplies additional reserves to the banks in the Christmas period to offset the drain on reserves coming from increased public holdings of cash. But this season, the Fed's buying of Treasury bills has been on the slim side, and the banks have not been pumped with reserves as in

Thus, the Fed's move is looked on in some circles as a sign that it recognized the need to increase the banks' lending ability—and freeing vault cash was a neat way of doing it. The Fed also concedes, however, that it will have to make another \$500-million to \$750-million in cash available by open market buying of bills. In this way, it hopes to stabilize rates at close to their present level, stop an explosion which might come from high seasonal demand and shrinking credit availability.

• Sticking to Its Guns—But the Fed is sticking to its tight money policy. "Freeing these excess cash holdings," says one board official, "doesn't mean that the board is changing its monetary policy one iota." This is clear, too, from what the Fed says it will do next year.

The usual Fed practice is to sell securities after the holiday season, as loans are paid off and currency flows back into the banking system. These security sales act to offset increased bank reserves, and the Fed insists it will sop up in January and February all the money it is making available this Christmas—including the vault cash that is being freed.



GERALD M. LOEB, a senior partner, E. F. Hutton & Company, and author of the best-selling book, "The Battle for Investment Survival," says:

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TWO SCREW DESIGN is a superior method for locking sheave hub to shaft. This extra value is found in every Worthington multi-V-drive.

HOW TO SAVE MONEY

8 examples of how Worthington takes a not-always-popular approach to reducing your operating costs The cheapest machine to buy isn't always the cheapest machine to own. That's why Worthington has a policy: build extra practical value into every product.

Not every seller—or for that matter, every buyer—agrees with this policy. For many, the watchword is "lowest possible price!" And for some products, perhaps they are right.

\$1.00 for New Equipment; \$1.16 for Maintenance—But power products are the muscles of industry. They either perform—or a machine, a production line, or a plant is shut down. To keep production lines running, industry spends 14 billion dollars every year on maintenance and repair. Consider this sobering fact: for every dollar industry spends for new equipment, it also spends \$1.15 for maintenance.

To keep these staggering costs to a minimum is the reason Worthington builds extra

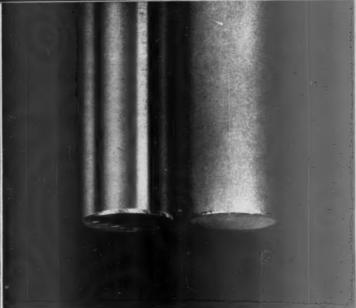
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WORTHITE* (left), a more corrosion-resistant material than the stainless steel normally used (right), is Worthington's successful answer to a major problem in pumping chemicals.



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value into its products. How do we do this? Very simply. By investing extra dollars in better design, more modern machinery, more highly skilled employees.

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products for 24-hour-a-day, 7-day-a-week, 365-day-a-year performance.

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In Finance

Another California Bank Merger Is Planned Despite Antitrust Drive

Proposal of a big California bank merger last week threatened to touch off another controversy over whether bigness is badness in banking. The institutions involved are the Wells Fargo Bank and the American Trust Co., two of San Francisco's oldest financial institutions. The banks had a flirtation last February (BW-Feb.7'59,p49). but talks were broken off when directors failed to agree

on merger terms.

The Federal Reserve Board—which must approve branches of the merged bank-and the Justice Dept.which has been waging an antitrust campaign against bank mergers-have not yet moved officially against the merger. However, the Justice Dept. has already sued to block the merger of the California Bank of Los Angeles and San Francisco's First Western Bank & Trust, both of which are controlled by Firstamerica Corp., the nation's largest bank holding company. Moreover, Fed Governor J. L. Robertson wrote a blistering dissent to the Fed's approval of Firstamerica's acquisition of California Bank. It was this acquisition that set up the proposed merger, since Firstamerica already controlled First Western.

If the Wells Fargo merger does go through, the new bank would have resources of \$2.5-billion, more than 110 branches, and 11th place among the nation's banks.

S-P Seeks Broad Interest in Oliver Corp.; International Harvester Eyes Solar Aircraft

Studebaker-Packard Corp., with \$115-million assets, has disclosed that its negotiations with Oliver Corp., a diversified Chicago farm equipment maker with assets of \$119-million, have entered a broader phase. Originally, S-P had thought of taking over only Oliver's farm equipment business. Now it says discussions are centering on whether more of Oliver's assets might be acquired.

Incomplete plans call for Studebaker to offer \$15 in cash and 7/10 of one share for each share of Oliver Corp., a total purchase price of \$83-million. Based on Studebaker common's current price, the offer would involve \$31.89 a share for each Oliver common share, currently

trading around \$25.

For Studebaker, which recently acquired two small companies, the move would further its goal of diversification. Another angle is Studebaker's huge total tax credit of \$132-million. While its expected profits of at least \$20-million this year will more than chew up \$16-million tax-credit expiring in 1959, some \$30-million in tax credits are available next year and Oliver's profits, currently some \$5-million yearly, could be applied there.

In another important merger move, International Harvester Co., with assets of \$1-billion, announced tentative plans to acquire Solar Aircraft Co., San Diego, which has assets of \$30-million.

One Harvester share would be offered for each 2½ Solar shares. Simultaneously, Solar reports it repurchased 17% of its stock from Fairbanks, Morse & Co. for some \$2.7-million, or \$21-plus a share-more than 4 points above the market. Fairbanks got the stock from the Budd Co. last March for \$21 a share in a plan, later abandoned, to move into a new field.

Deposit velocity jumps under the impact of tight money



Expert Denies Dollar Turnover Offsets Fed's Moves for Tight Money

The sharp cyclical jump in turnover of "checking account dollars" at New York banks (chart)-which some economists claim has had the effect of offsetting Federal Reserve efforts at tight money-does nothing of the sort, according to George Garvy, economic adviser at the Federal Reserve Bank of New York. In a study of "Deposit Velocity and Its Significance," he says that changes in deposit velocity are part of the system of "economic checks and balances," and that they act to cushion initial effects of Federal Reserve policy actions, which can create temporary disturbances in the money markets.

Garvy reasons this way: The Fed's money managers attempt to control the economy by limiting the growth of the money supply-usually defined as demand deposits plus currency in circulation. It's widely recognized, says Garvy, that the money supply has dimensions of both size and velocity, that a corporate bank balance of \$1-million, turned over 60 times a year, can accomplish as much as a \$2-million balance used only 30 times. He admits that the central bank can influence only the size

of the money supply, not how fast it is used.

But this doesn't matter, he says, so long as the Fed is aware of changes in velocity that can be taken into account when it determines the magnitude and timing of policy actions. The Fed's machinery for gathering statistics on velocity, he adds, is now so well developed that when the money managers make a move, they have the information on velocity that they need.

Who Really Owns Pension Funds?

Private pension funds have been building up in recent years to the point where they have become major financial institutions as well as a prime source of old age security for about 16-million workers. Today, the assets of these funds total well over \$33-billion.

Because of their special nature, pension funds are a tempting subject for the inquisitive. The financial and investment sides of this concentration of money have been probed in depth by Robert Tilove for the Fund for the Republic and by BUSINESS WEEK in a Special Report (BW-Jan.31'59,p88).

The latest explorer is a Jesuit priest, Paul P. Harbrecht (picture), whose book Pension Funds and Economic Power was published last week by the Twentieth Century Fund. Harbrecht, who has a doctor of laws degree from Columbia University, takes a look not only at the financial side of private pensions, but also at the legal status of the funds. He raises some controversial questions about the nature of ownership and control and the rights of workers to manage or to have some say-so in the investment policy of these funds.

• Under Fire—Harbrecht lays into his subject with the vigor of a Friar Tuck, but, instead of a cudgel, the young Jesuit applies his legal talents. BUSINESS WEEK reporters checking Harbrecht's findings with top management men in the field found wide disagreement among them, but on one point they were unanimous: Harbrecht's study will add fuel to the growing turmoil over

pensions and will keep company and union executives in a stew over the possible consequences of what Harbrecht has to say.

Harbrecht, of the Jesuit Institute of Social Order, raises two important—and controversial—points:

 One-half of the nation's workers now covered by pension plans in private industry may never collect their full benefits.

What are pension funds? Who owns them?

• Escape Clauses—Pension expectations, Harbrecht says, depend on employers staying in business. He warns that most plans have yet to be tested in the crucible of a prolonged depression.

Most people, he adds, are not aware of the fact that "escape clauses" exist in most pension agreements between employers and fund trustees. These clauses give the employer the right to amend or terminate the plan at will, or to reduce benefits. For example, a survey of New York pension funds shows that in one-third of the plans surveyed, the employer reserves the right to suspend pension payments even after they have begun.

Harbrecht does not condemn these clauses out-of-hand. He sees them as "protective devices" for the employer. But he does believe that some legislation is essential to require employers to give their employees "adequate information about both the conditional nature of the promises and resources of the fund."

• Deferred Wages—Harbrecht's questions on the nature and ownership of pension funds provoke the most controversy and—in some cases—angry rebuttal from management. He found, as did Business week reporters, that in a narrow sense no one really knows what pension funds are—and nobody can pin down who owns them.

Harbrecht advances an idea of his own, one that has some backing in several court decisions—although the final court say on the matter has not been handed down. Harbrecht says we get further and make the most sense if we visualize pension funds as made

up of deferred wages.

Unions have long held that pensions are paid out of wages, the major difference being the time of payment. If pensions weren't deferred wages, the unions argue, direct hourly wages would be so much higher.

Historically, management has held that pensions are gratuities. Only recently has it come around to the view that pensions sometimes are earned.



54 Labor

But most management people balk at calling pensions "deferred wages," perhaps fearing where that line of thought would take them.

• Full Vested Rights—But Harbrecht plunges right in. First, since pensions are deferred wages, it means full vesting, he feels. Full vesting permits an employee who leaves the company before retirement to take with him all the pension money his employer has set aside for him. However, Harbrecht recognizes the fact that immediate full vesting would not be practical—it's too costly—so he argues that vesting at five or 10 years would remedy most of the weaknesses he now sees.

• Employee Voice—Harbrecht doesn't stop here. He also says that as "acknowledged owners," employees should be given some share in the direction and control of the pension funds. This means they should have some voice in

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the investment of these assets and a say in such matters as amendment and termination of the plan.

Since this is "property collected for the workers," Harbrecht claims that the unions should have done more in the past to win such participation rights in the management of pension funds.

Workers' participation in the control of pension funds is a variation of "co-determination"—another favored theme of some Catholics active in industrial relations.

• Management Stand—Management and the pension experts—drift first one way, then the other when asked to define the exact nature of pension funds, or who owns them.

Some see the funds as collateral against a management obligation to pay a pension. Others, such as R. E. Royes, Secy., Employees' Benefit Committee for American Telephone & Telegraph

Co., say it's "a false dilemma to call them one [deferred wages] or the other [gratuities]." "They ought not to be regarded as deferred wages. After all, we don't pay lower wages when we pay pensions." A fund exists, as he sees it, to help management "to level out costs."

William Hadley, head of Standard Oil of New Jersey's Dept. of Insurance & Social Security, sees a fund as being "owned by the company for the purpose for which it's set aside." Although you can't get the money back, "poor management of the funds is a loss to the employer, not to the individual," he points out.

Matt Ludwig, financial vice-president of Basic, Inc., however, concedes that "within the tax meaning, you almost have to call pensions deferred wages. Just like wages, the pension isn't taxable until it's received." He denies

Father Paul P. Harbrecht (picture, left) sees pensions as a "new wine bursting old bottles." In his new book, Pension Funds and Economic Power, he charges that pensions are vast aggregations of wealth upon which many have claims but of which none can call himself an owner.

To remove the ambiguity of ownership and to restore the line of responsibility, Harbrecht proposes that we look at pension funds as deferred wages. This, in turn, Harbrecht says, would establish for the worker certain rights—including some voice in the direction and control of pension funds—and would return to him some of the economic independence the pension system has taken away.

Here's the reaction of several experts in the field (right) to Harbrecht's ideas.



MATT LUDWIG of Basic, Inc.: "Within the tax meaning, you almost have to call pensions 'deferred wages.' But this doesn't give employees a property interest."



WILLIAM HADLEY of Standard of New Jersey: "If employees don't trust the company enough on this matter [pensions], they probably don't trust it on other matters."



ROBERT TILOVE of Martin E. Segal: "Pension funds are regarded as workers' money, so workers have a right to push on items that concern the security of the investment."



R. E. ROYES of AT&T: "Pensions ought not to be regarded as deferred wages or as a gratuity. If an employee fulfills the requirements for a pension, he has a right to it."

HOW TO TAP YOUR COMPANY'S "HIDDEN" MANPOWER

One way to look at manpower is to count the number of people a com-

Another way is to consider the quality and productivity of each individual worker. The output of one may often be far superior to that

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that this gives employees any property rights, although they may gain a vesting right.

• For the Experts-The opposition to giving employees a say in the control of pension funds is summed up by Ludwig: "Very rarely will the beneficiary have any deep knowledge of investments. Even management doesn't profess a complete knowledge of securities. That's why we hire investment experts."

'As one of the administrators of our fund," one executive declared, "I feel I don't have one jota of discretion in what is done with this money. As to pension benefits, the union contract spells it all out-down to 'X' number of dollars and 'X' cents-and as far as investments go, that's taken care of by professional securities people.'

A dissenting opinion comes from Robert Tilove, a vice-president of Martin E. Segal & Co., pension consultants. He believes that the employee -and his union-have an interest in the investments made by a pension fund and have "the right to full knowledge. They have the right to push on items that concern the security of the investment," he says.

"There is no question," he notes, "that pensions are established for the benefit of the employees. They and their union have a distinct interest in seeing to it that these assets are prop-

erly managed."

Tilove also says that the union has the right to ask for "socially useful investment" of pension assets, such as hospitals and workers' housing as United Auto Workers Pres. Walter Reuther did not long ago. But when you ask "Should you make the investment?" Tilove says it's hard to decide. "Your first obligation is to provide pensions," he notes. And, to do that, you must invest wisely.

· Union Participation-But management takes a dim view of union participation in pension investments. Dillev says it would be disastrous in the light of Senate rackets committee revelations to permit the unions to take part in pension investment pro-

"Under the direction of union people," he says, "there might be too many other considerations that would color securities-purchasing decisions. Say a company is having union trouble, plus financing trouble, so the union is tempted to get back at the company by unloading large blocs of the company's stock held by the pension fund. A company's stock-or any securitiesshould be bought or sold on investment value alone, and for no other reasons. That's why we rely on trained investment people skilled in all aspects of the securities market."

One union spokesman comments,

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product...

process...problems!

A tailor-made KVP paper may give you a unique solution or surprising savings over the material you're using now!

Perhaps because we make more different kinds of paper for packaging and industrial uses than any other company, we're often asked to develop a special paper to solve a special problem.

As a result, KVP papers today are doing jobs that were undreamed of a few years ago. Effectively and economically! Some, for instance, offer you remarkable help with adhesive substances.

Sticky product:

Special KVP papers are making practical many new products with adhesive advantages. Self-sealing shingles, for instance, can be shipped and stored easily because of a KVP release-paper backing specially developed to solve this particular problem.

Sticky process:

Special KVP papers are performing many unexpected jobs in the production of adhesive products. One such KVP paper, for example, was "tailor-made" as a carrier for a hot adhesive substance during the manufacturing process.

To protect sticky surfaces:

Mr. Dwight Stocker, President

Special KVP papers are serving many pressure-sensitive products as the release-paper backing that makes them practical. Once again, many of these special papers were specifically developed to solve an individual problem brought to us by a customer.

Perhaps a special KVP paper can be an unexpected help to your company and your product. KVP papers are daily making adhesive substances easier to handle, fighting corrosion, protecting against infestation, and doing dozens of other jobs.

We'd like to have one of them working for you. Let's discuss your requirements. Drop us a line, or use the coupon below.



The KVP Company, Kalamazoo,	Michigan	
Dear Mr. Stocker:		
Perhaps your company may salesman-engineers call me for ar	be of assistance to us. Please have one of your appointment.	*
NAME	TITLE	********
COMPANY		
STREET		******
CITY	ZONE STATE	********



By its EXPERIENCE? Then

of The First National Bank of Miami represents more than 1400 years
of experience in the banking
profession—averaging approximately
25 years per officer. Banker or
businessman—when you require a
banking connection in Florida,
the facts recommend First National ...
Florida's largest bank.



100 BISCAYNE BOULEVARD, SOUTH MIAMI, FLORIDA

MEMBER: FEDERAL RESERVE SYSTEM • FEDERAL DEPOSIT INSURANCE CORPORATION
BANKERS ASSOCIATION FOR FOREIGN TRADE

"We would like at least a veto power over the choice of trustees."

• In Limbo—Management takes strong exception to a number of other views set forth by Harbrecht, but many concede that they don't know what to make of pension funds. "They are all out there in limbo," one management pension expert commented wryly.

Academic experts, on the other hand share Harbrecht's wish to get pension funds pinned down and tagged. In contrast, businessmen seem perfectly willing to live with the anomaly—if the pension system is one—and learn how best to use it.

Most believe that today's pension funds are securely funded. Even union men agree on this point, almost completely disagreeing with Harbrecht' contention that pension systems are no so firmly grounded. "We don't fee these plans are insecure," says a unior, spokesman. However, some in manage ment agree that one-half of all workers now covered may never fully benefit—but not for the reasons Harbrecht

"Personnel turnover and early deaths will be more to blame," one executive points out.

• Close Supervision—Also, most employers believe that there is already too much government regulation. The Welfare Disclosure Act, which requires companies to file reports with the Secretary of Labor and to make them available to employees, was cited as one example. "The Internal Revenue Service," says Charles Dilley, executive director of the Clevite Foundation, "also requires that unless a company can prove business necessity, it cannot arbitrarily terminate or revise its retirement plan without risking its pension fund tax exemption."

The government is constantly giving pension funds a couple of thumps to be sure they are in good health, management men say. There are risks, they concede, but "they're mighty slim." Hal Stevens, pension staff director for Thompson Ramo Wooldridge, Incoutlines it this way:

"Once the company has deducted taxes on a pension fund, there's no way to get its pension equity back. If the plan is terminated or the company goes broke, the Treasury Dept. requires distribution of all funds deposits to employees under the plan. Working downward as long as the money holds out, you first give to those already retired, and next, to employees closest to retirement age and with the most service. These can take the form of deferred benefits or immediate."

What it all comes down to, says W. Hadley of Standard Oil of New Jersey, is that "you have to consider the ethics of the company promise more than the degree of funding." END

SPACE BRAIN BY SPERRY

When the X-15 lunges at cosmic speed to outer space, the pilot will know critical flight facts — attitude, velocity, distance, altitude. He'll get them from a Sperry 'inertial-guidance system,' the automatic brain that senses, interprets and flashes facts pictorially on cockpit instruments. This rugged system has to withstand the bruising shock of accelerations 10 times gravity force; and also work perfectly in a weightless environment.



The Air Force X-15 manned missile hangs poised for launching at 35,000 ft. from the broad wing of its mother plane, a B-52 bomber.

NORTH AMERICAN AVIATION, INC.

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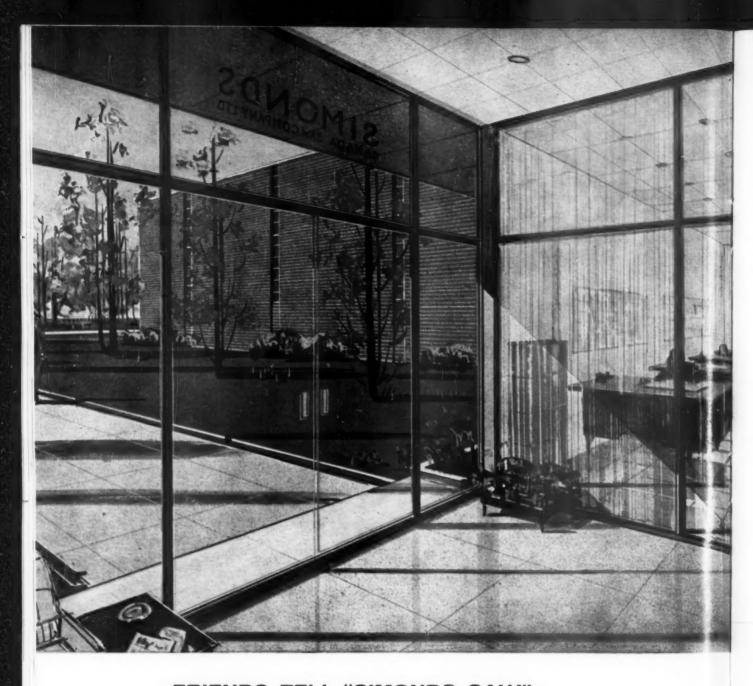
The Sperry 'brain' is one of the reasons Sperry Rand Corp. is a mainstay of U. S. defense. In other divisions it is a mainstay of business and industry. Its machines, tabulators and Univac computing systems are office staples, pioneering paperwork automation. It stays close to earth as a producer of oil hydraulic machinery and grassland farm equipment.

A corporation so versatile in the design, manufacture and marketing of its products needs the security of sound protection. It gets this from the leader in insurance, INA. Sperry Rand's program with INA includes liability insurance in various forms, travel accident, bonds and fidelity insurance. Wouldn't you like your business to enjoy this extra value in complete protection and personalized service that makes Insurance by North America better? Your business can, whether it is large or small. Ask any INA agent or your broker for the interesting details.

Insurance Company of North America Indemnity Insurance Company of North America Life Insurance Company of North America • Philadelphia

INSURANCE BY NORTH AMERICA





FRIENDS TELL "SIMONDS SAW"-AND WE WIN A NEW CANADIAN CUSTOMER

When a customer gives us repeat business we're always happy. We're doubly delighted when his enthusiasm sends us a new client; this happened in Quebec recently. Simonds Canada Saw Company, Limited, needing new manufacturing facilities at Granby, checked with their friends at National Electric Coil Canada, Limited—for whom we had built a plant in nearby St. Jean. The people at St. Jean were happy with their plant and said so (and told us they hoped we would get the job).

It helps to come well recommended, but you always must prove yourself, of course. The Simonds Saw people termed our proposal the most comprehensive they had seen, with an imaginative design approach—especially the unusual, yet functional, vertical windows.

Repeat business accounts for ninety per cent of our volume, but all of these customers were new at one time. That's why we particularly enjoy business that results from one satisfied customer telling another.

CUNNINGHAM-LIMP CO.

Cunningham Engineers, Inc. . Cunningham-Limp Limited







ESIGNERS ENGINEERS BU

S BUILDERS

DETROIT . ATLANTA . CHICAGO . FLINT . INDIANAPOLIS . KANSAS CITY . NEW YORK . ST. LOUIS . TORONTO



PROJECT: New Manufacturing Plant for Simonds Canada Saw Company, Limited

STORY: Complete "Single

Responsibility" Service by Cunningham-Limp

This new factory in Granby, Quebec, is further proof of an old building fact: the way to get the plant you need is to assign the complete responsibility to Cunningham-Limp. If you do not have a site, we can help you select one "scientifically." Your plant will be designed to suit your individual requirements—engineered to mesh with both your present and future requirements, built with both present and future economy in mind. In addition to designing, engineering and building the plant, we have the experienced personnel to make the plant production layout; design and install your materials handling systems; plan, purchase and install all equipment. Everything, in fact, from initial site development through the interior decorating of the private offices and landscaping of the grounds, can be handled by C/L under our single responsibility service.

Repeat Business Indicates Satisfaction With Cunningham-Limp Comprehensive Integrated Services

Cost-consciousness is the keynote at every level of the Cunningham-Limp organization. You will come to know this the very first time you assign us the complete responsibility for one of your projects. It is one reason why we think you will want us to do the next one. Ninety per cent of our volume comes from repeat customers. And repeat business is a prime indication of customer satisfaction.

For personal help on any phase of industrial expansion, contact one of our many offices. An experienced engineer can be in your office within a day's time. Or send for our 78-page, illustrated brochure. It's available to executives of manufacturing, processing, distributing, research or similar industrial firms who request it on their letterhead or business card.

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Whenever reference is made to designing, engineering or architecture, the work will be done by Cunningham Engineers, Inc., or by personnel who are qualified under all applicable laws.



Mine-Mill's Fight for Survival

Mine, Mill & Smelter Workers is ready to sign contract with copper companies which will end long strike—and stave off disaster for the tough but vulnerable union.

A strike that will have lasted longer than the basic steel tieup edged toward a settlement this midweek through hard negotiations with a minimum of government intervention.

Agreements with a number of major copper producers only awaited formal ratification. The Mine, Mill & Smelter Workers appeared ready and willing to end a long walkout on terms that it said were "in the general area" of a new contract between the Kennecott Copper Corp. and the United Steelworkers (BW-Nov.28'59,p28).

• Wide Walkout—MMSW and the Steelworkers struck the nonferrous industry's Big Five producers in August after fruitless negotiations in a contract renewal. Their separate walkouts shut off 80% of copper production.

The national steel strike affected about the same percentage of production in the steel industry, and eventually this led to the invoking of the Taft-Hartley Act to put mills back to work. However, Taft-Hartley use was never seriously considered in the nonferrous dispute, because of its limited impact on the economy.

As tightly deadlocked as steel management and labor at first, over money and work practices issues, nonferrous companies and the two unions finally reached settlement terms that appear likely to spread throughout the industry. If so, nonferrous workers will return to jobs with a two-year wage-benefits package estimated at about 22.3¢ an hour.

• Fight for Survival—For MMSW, more than a strike settlement is involved in the successful negotiation of new contracts. A general settlement on anything like acceptable terms will mean another staving off of disaster in the cliff-hanging existence of the tough, small MMSW.

This year, unable to make headway in bargaining that started in May, some 30,000 MMSW members struck. As the walkout dragged on, it became a fight for survival for the union.

MMSW's recent story is full of ambiguities, hazards, and near-disasters. For example, after the USW settled with Kennecott recently, Mine-Mill pickets found themselves barring the way back to work to men with whom they had manned picket lines for more than three months.

Denver Trial—For another, MMSW
has been negotiating with employers
while 11 present and former officials
have been on trial in federal district

court in Denver on charges of lying to conceal their Communist affiliations in order that the MMSW might use the National Labor Relations Board.

Consequently, several union officials and contract negotiators have been standing trial all day for more than a month, bargaining with employers in late afternoons and evenings. Mine-Mill's Pres. John Clark (not on trial and never suspected of Communist affiliation) contends that the trial of the 11 is part of a government-industry conspiracy to ruin the union.

• Outsider—This reflects the Mine-Mill attitude for almost a decade: aggressive, yet self-pitying. It portrays itself as the Ishmael of labor, driven out into the desert and abandoned.

This feeling dates back to MMSW's expulsion from CIO in 1950. Maurice E. Travis, president, was a particular target then. He resigned from the Communist Party in 1949, telling the union he did so "with the greatest reluctance and sense of moral indignation."

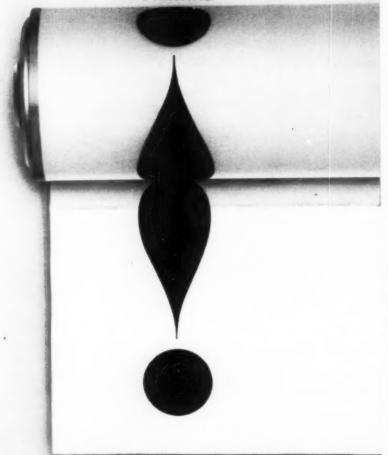
In a later effort to cloak the Mine-Mill union with more political respectability, Travis gave up the presidency to non-Communist Clark and became its secretary-treasurer. For a time, Travis continued to run the union but—perhaps unexpectedly—Clark proved to be a tough and capable leader on his own. Travis' influence declined. He was finally retired on a pension.

• Target for Raids—When Mine-Mill was ousted by CIO, the United Steelworkers, the United Auto Workers, the old AFL Metal Trades Council, and John L. Lewis' District 50 of the United Mine Workers moved in quickly to try to split up its membership. Despite rivalry that reduced their effectiveness, raiding unions—the Steelworkers, particularly—took over many MMSW locals. But Mine-Mill regrouped and soon was able to hold ground against the forays.

In recent years it has made some membership gains in Canada, even though it was expelled by the Canadian Congress of Labor on the same charges raised in this country. At the same time, it has held onto the hard-core locals of the Big Five copper companies. In all, it probably has about 75,000 to 80,000 members now, a substantial drop from its former 100,000 (still claimed) but still a large enough number to make it dominant in its industry.

Some say it has survived so well be-

PUT THE EXCLAMATION IN YOUR PRINTING



CALCOFLUOR* WWHITE

for Whiter Whites

If you've thought your printing has lacked a punch lately—may we suggest Calcofluor-whitened paper stock?

This paper brightener, developed by Cyanamid and now used in many leading paper mills, assures your printing of the whitest, brightest base for art, photos, colors, typography. Your sales literature, your letterheads, your business forms, your annual reports, catalogues, get a new sense of urgency, get better reading, better results... faster, quicker.

For the most favorable reception . . . the most positive attention . . . specify your jobs: "to be printed only on Calcofluor-whitened stock". Your printer will be glad to supply this "exclamation point" for it assures his work will get you better returns.

CYANAMID

American Cyanamid Company - Dyes Department - Bound Brook, N.J.

cause the industry prefers to deal with the independent MMSW, vulnerable as it is, than with the million-member United Steelworkers. Just as many say the industry would like to break MMSW's grip and deal with USW.

MMSW's grip and deal with USW.

• Sources of Strength—There are a number of more clearly discernible reasons why Mine-Mill has been able to

stand off challengers:

 One is a matter of history.
 MMSW is the lineal continuation of the old Western Federation of Miners, which battled for the rights of miners in the old, tough days. Oldtimers respect MMSW because of memories of the federation; younger workers like its long history of militance for miners.

 Another is social. In many remote areas, Mine-Mill halls are about the only center of community activities; in some, there is no place else to go that is not company property.

• Perhaps more important, rankand-filers have heard their leaders described as Communists for so many years—back into the old Western Federation days—that the charges are shrugged off now; they have completely lost meaning. Members believe what they are told, that the charges are a corporation conspiracy to take away the militance of "their" MMSW and turn it into a loose organization of company unions.

• Signs of Stress—But, recently, their solidarity has shown signs of fissures. The long strike made some appear. Two hundred dissidents at Magma Copper's operations in Arizona threatened to break away from MMSW and go back to work. Other locals began grumbling about the lack of progress in bargaining, and talked about trying to negotiate settlements on their own.

Also, Mine-Mill is threatened more than most unions by racial tensions. It has always been for equal rights-an inflexible leftwing position. Asbury Howard, of Bessemer, Ala., a Negro, is an MMSW vice-president, one of the very few of his race holding national office in any union.

There have been signs of race problems arising in MMSW's Southern operations. Union officers call them inconsequential, but for a vulnerable union no cracks can ever be that.

• Leadership Discord?—Probably more important, there are rumblings of leadership discord. These may die away when new contracts are signed. But if the 11 on trial are convicted, the dissatisfactions may be brought out into the open. Regardless, drawn-out appeals will keep present leaders active in the union, even if they are convicted.

Few really look for—or, in some instances, hope for—changes in MMSW, like Ishmael grown lean and tough in its desert, perhaps the leanest and toughest of all unions. END

CLARK EQUIPMENT moves mountains...

...in flood-rescue emergency

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To people throughout the country, MICHIGAN Tractor Shovels mean faster, lower-cost completion of street-building and similar earthmoving projects. But to a few, in Canton, Ohio, MICHIGANS also mean life itself. Three of these units, pressed into action as "boats" during a recent flood, carried hundreds of sick, infirm and frightened folks out of the raging waters to safety. Despite several days work in water shoulder-deep, the MICHIGANS never faltered . . . when danger was past, they needed only an oil change and wash job before returning to normal duty.



...in building work



a.) Typical assignment for this big CLARK "Ranger" fork-lift: loading flatbed delivery truck.



Ranger is towed to job site at 60 mph . . . (no trailer needed as with other fork-lifts).



More time is saved here. Ranger spots material where needed . . . mud, rough terrain no problem.



...in fast transportation

Ease of maneuvering in crowded city streets was an important reason for selection of BROWN trailers for this colorful job—moving fresh-cut carnations from Denver greenhouses to the Deep South. Effective insulation plus sun-reflecting aluminum construction help keep the trailer cool, the blooms beautiful.

CLARK® EQUIPMENT

Michigan, Ranger, and Brown are trademarks of

CLARK EQUIPMENT COMPANY, Buchanan, Michigan

World's leading manufacturer of material handling equipment



By switching to Scott Towels, Mr. Cox eliminated Bell's towel laundering charge and greatly reduced janitorial expense.



Chief Purchasing Agent Donald Wilson, left, discusses inventory with Robert M. Cox, Supervisor of Buildings and Grounds. Quantity purchases of Scott Towels also contribute to Bell's annual savings.



Bell has 2500 employees, provides them with Scott UHA Towels (Ultra High Absorbency) in all 29 washrooms.

Bell Helicopter Corporation buys Scott Towels because:

"Scott Towels saved Bell \$12,000 the first year they were used!"

Among the total expenses of a large manufacturing plant, the cost of washroom maintenance and supplies may often seem insignificant. Yet here is an area where value analysis has frequently led to impressive savings. Bell Helicopter Corporation is a case in point. Mr. Cox analyzed his cost figures, then switched from cloth roll towels to individual Scott Towels. By so doing, savings in the first year alone averaged \$1,000 a month.

For free washroom cost *value analysis* form, contact your Scott distributor. He's listed in the Yellow Pages under "Paper Towels."



Scott UHA Towels Scott Multifold Towels Scott Singlefold Towels ScotTissue

In Labor

BLS Study Probes Into Reasons Why Joblessness Always Remains

Frictional unemployment, like death and taxes, probably will be always with us. Congress' Joint Economic Committee last week released a study by the Bureau of Labor Statistics on the extent and nature of such unemployment-the term is used in contrast to cyclical unemployment-and what it means to the U.S. economy.

The government economists concentrated their study on the period from 1955 through 1957, years of relative full employment, to take the measure of frictional unemployment. Here's what they found:

· New entrants into the labor market accounted for about 20% of the unemployed. Most found jobs

after a relatively brief search.

· Voluntary shifting from one job to another accounted for an estimated 10% of the 1955-57 unemployed. One out of three persons changing jobs had an interval of unemployment in between, but only a small proportion of the workers (4%) was involved.

 Seasonal fluctuations accounted for an estimated 20% of the unemployed. The percentage might have been higher had more detailed data been available.

· Length of unemployment has been increasing. In 1957, 1.5-million workers were out of work for six months or more. Chief reason seemed to be "structural dislocation"-a shift in growth from manufacturing to the service industries. The BLS statisticians found that workers in goods-producing industries represented a disproportionate number of unemployed, and on the average, stayed unemployed longer.

Representation Vote Ordered by Colorado At Union's Home for Retired Printers

When a union gets into a row with its own staff over the employees' right to organize, the battle frequently reminds observers of earlier, bitter management-labor wrangling. This happened when the AFL-CIO organizing staff sought unionization (BW-Jun.7'58,p104).

This week, a similar fight occurred in Colorado Springs, when the state industrial commissioner ordered a union representation election among the 25 employees of the Union Printers Home, an institution supported by the International Typographical Union.

Richard E. Moss, commission referee, termed the home's tactics "merely a sham and subterfuge to hinder, delay, and circumvent the provisions of the Colorado

Labor Peace Act."

The 25 employees are orderlies, undergraduate nurses, nurses' aides, and male helpers, who earn wages ranging from 97¢ to \$1.08 an hour. They were formerly organized in a federal local of the AFL-CIO, which was disbanded and the membership transferred to the Building Service Employees. The Colorado law, however, does not permit such a transfer without a representation vote.

The nursing home, which accommodates retired union printers from all over the nation, opposed the election, charging that a "militant union at the home could call an ill-advised strike which might endanger patients' lives."

NLRB Announces Its Regulations On Voting Rights of Economic Strikers

The National Labor Relations Board last week issued its first policy decision on the voting rights of so-called economic strikers under the new labor reform act. An economic strike is one called to force changes in wages, hours, or working conditions.

Under Taft-Hartley, a worker out on such a strike who had been replaced by his employer could not vote in a subsequent NLRB election. The new act gives economic strikers voting rights subject to NLRB regu-

lations.

Under the new regulations, if a striker is fired for cause during the strike he will not be able to vote. If he is replaced, according to the NLRB regulations, he will have the right to vote-and so will his replacement-by

a challenged ballot.

The NLRB reserved its decision on how to count the challenged ballots until the occasion arises. Challenged ballots are segregated by the NLRB agent conducting an election. If the voting is so lopsided that the challenged ballots make no difference, the issue resolves itself. However, if the challenged ballots would make a difference the NLRB will then decide the conditions under which the votes of the striking employees and of the replacements will be counted. The board's decision at that time could become a rule for future cases.

Purchasing Power Diminishes

The buying power of factory workers dropped 0.6% between September and October as earnings dipped slightly and consumer prices edged upward, according to the U.S. Dept. of Labor's Bureau of Labor Statistics.

Factory workers' net spendable earnings dropped by some 30¢ over the month to \$80.03 per week for a

worker with three dependents.

Changes in spendable earnings and buying power during the past few months have reflected the effects of the steel strike. Most steelworkers have been off the payroll since August. Because their earnings are higher than the average for all manufacturing, average earnings have remained below the prestrike level.

Strike Ends 38 Years of Labor Peace

The first strike in the U.S. lithographic industry since 1921 started in San Francisco last week. Local 17 of the Amalgamated Lithographers of America, an independent union, struck 16 major printing and lithographic concerns in a dispute over wages and working rules.

Florida
...trading post for two continents



Florida

...trading post for two continents

CENTERED among fast-growing markets in North and South America and steadily winning an increased share in supplying them, Florida offers unique opportunities for industry and trade.

IN THE CARIBBEAN AND CENTRAL AMERICAN areas alone, value of Florida's exports gained 42 per cent betwen 1956 and 1957, while those from the United States as a whole went up 21 per cent. Miami is a focal point for U.S. and Latin American trade.

In the Southeastern States, growth of the market was shown by a 12.4 per cent increase in retail sales between 1955 and 1958, including a 23 per cent increase in Florida. This compares with a national rise of nine per cent.



Industry In Florida is centered between southeastern U.S. and Latin American markets.

More and more of the Southeast's needs are being supplied from Florida. Jacksonville was chosen as the southeastern distribution point for Swedish made SAAB automobiles last August. Orlando was named by RAYTHEON COMPANY in June as its four-state distribution center for electronic equipment.

Chris-Craft Corporation moved its national headquarters to Pompano Beach early this year. Minute Maid Corporation now directs all its marketing operations from Orlando. Food Fair Stores, Inc., serves three states from a new 410,000-square-foot Jacksonville distribution facility. Richardson Tractor Company announced a multi-state Allis-Chalmers distributorship in Tampa in May.

\$35 BILLION SOUTHEAST MARKET

Florida, with over 4.5 million population, totaled \$5.7 billion in 1958 retail sales. The 12 southeastern states, including Florida, have a population of 38 million, and retail sales have risen to approximately \$35 billion annually.

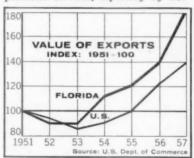
Thirteen railroads and 100 interstate motor freight lines link Florida with the region. Thirty-three scheduled airlines serve the state.

Barges from Florida travel a sheltered route through the Gulf of Mexico and up the Mississippi. The Atlantic Intracoastal Waterway stretches from Key West to Trenton, New Jersey.

SHIPPING TO CARIBBEAN UP 42%

Florida is strategically located for trade with the rich Caribbean and Central American markets, which have a population of 80 million. And Florida's trade is growing swiftly. In 1957, the exports by vessel to these areas totaled \$206 million — up 42 per cent from 1956.

Industry finds in Florida many advantages for trade with Latin countries. When GULF OIL CORPORATION opened its Western Hemisphere Extraterritorial Marketing Headquarters in Fort Lauderdale this September, F. C. W. Patton, Gulf vice president, commented: "The location, selected after extensive surveys, was chosen because of its proximity to growing markets. It will enable Gulf to utilize excellent transportation services, especially by air."



Value of exports from Florida has increased at a rate double that of total U.S exports.

Firms seeking to establish export business in Florida will find ready help. The International Trade Department of the Florida Development Commission conducts trade missions, publishes directories, provides advisory services.

The Florida Ports and Foreign Trades Council coordinates activities in Jacksonville, St. Augustine, Port Canaveral, Fort Pierce, West Palm Beach, Port Everglades, Miami, Boca Grande, Tampa, Port St. Joe and Pensacola.

Transportation facilities for overseas shipments from Florida are extensive. There are 14 customs ports of entry in the state and 13 deep water ports with a channel depth of 25 feet or more. Over 65 American and foreign flag shipping companies provide scheduled service.

Florida has a total of six international airports. The Miami airport has the nation's largest foreign cargo volume. During 1957, 154 million pounds of air freight moved in and out.

SKILLED MANPOWER IS AVAILABLE

Trained workers are anxious to move to the Sunshine State. When Prudential Life Insurance Company shifted part of its operations from Newark to Florida, 450 employees volunteered for 550 positions. Many firms have received record numbers of out-of-state applications upon opening in Florida.

Local labor is abundant and has been highly praised by such firms as PRATT & WHITNEY AIRCRAFT, BUCK-EYE CELLULOSE CORPORATION and GENERAL ELECTRIC COMPANY.

More than 2,100 new manufacturing plants have located in Florida in the last three-and-one-half years. Employment has doubled in the last 10 years.



Miami International Airport ranks first in the nation in volume of export freight.

WRITE FOR INFORMATIVE SURVEYS

This is the twelfth in a series of industrial advertisements. A file folder, *Profile* of *Progress*, is available through the Industrial Services Division of the Florida Development Commission, covering:

Markets, Manpower, Transportation and Ports, Climate and Living Conditions, Taxes and Government, Research, Materials and Resources, Power and Water, Industrial Growth.

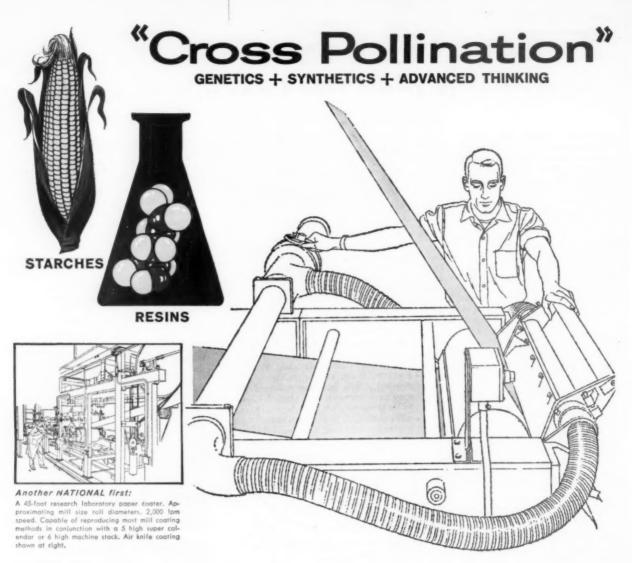
The Industrial Services Division will assist in screening available plant sites throughout Florida without revealing company identities. It will gladly provide concise facts and information tailored to the needs of any company which is interested in Florida as a possible location. All inquiries will be held in strictest confidence.

held in strictest confidence.

Write today to B. R. Fuller, Jr.,
Executive Director, Florida Development Commission, 3903-4 Carlton
Building, Tallahassee.

See industrial Florida for yourself. Write State of Florida, Dept. B, Carlton Building, Tallahassee, for new, 100page color Vacation Guide Book to help plan your Florida tour.

Deep water ports line both coasts of Florida—handled over 31 million tons of exports, imports and domestic cargo in 1957.



Improves the surface of Package Cartons

Pigment coated bleached board now has a better printing and gluing surface. This has been achieved by a unique "cross pollinated" starch-resin binding system. And at a price advantage due to low cost starch-resin combinations and ease of formulation.

Similar NATIONAL "cross pollinated" systems are improving coated publication papers, offset coatings, functional coatings and size press coatings.

What do we mean by "cross pollination" of genetics + synthetics + advanced thinking? NATIONAL has "cross pol-

linated" hybrid corn to produce unique strains . . . and has chemically "cross pollinated" corn starch to produce unique starch derivatives . . . and has "cross pollinated" them with vinyl acetate polymers and co-polymers in emulsion form—to achieve complete flexibility of formulation.

To which NATIONAL has added the "cross pollination" of advanced thinking in paper coating research and broad technical service.

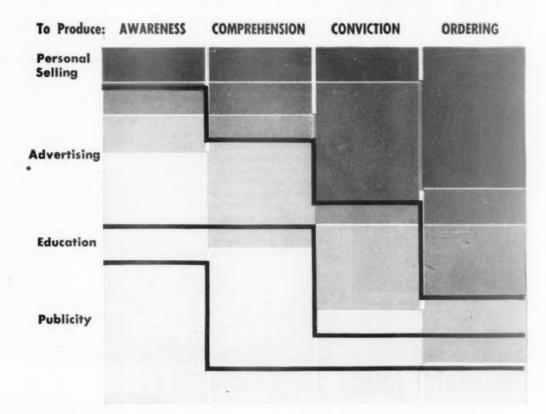
All, to help the paper industry build new product features that become decided competitive advantages.

You'll find our coating binders and adhesives—everywhere!



What IBM found about ways to influence selling . . .

In moving potential customers from unawareness to final purchase, these were the things that counted:



Advertising Saves Sales Calls

The chart above proved an evepopper at the recent Assn. of National Advertisers meeting (BW-Nov.21'59,p 116). In both results and technique, it represents an innovation in measuring advertising effectiveness-a subject on which there has been much talk and little do. Indeed, when ANA asked top corporate management what it wanted most from advertising, overwhelmingly the answer came back: Give us a measure of advertising effectiveness.

The most novel aspect of the study on which the chart is based is its recognition that you can't simply feed so much ad outlay into the calculations and get an answer in dollar sales at the other end.

Savs consultant Russell H. Colley, who collaborated with International Business Machines Corp. in conducting the study: "Most advertising research founders in trying to force this direct relationship between sales and advertising. Except in a packaged product like cosmetics, where you have a heavy preponderance of advertising expenditure and a rather immediate conversion of ad outlays into sales, advertising doesn't act that directly.'

· Breaking It Down-IBM's study avoided this pitfall by dividing the process of making a sale-in this case, its magnetic character-sensing equipment for banking-into four stages: awareness, comprehension, conviction, and ordering. It then tested to develop the proper communications mix for moving the customer into each of these stages.

Its communications arsenal consisted of these weapons:

Personal selling through its highly trained data processing sales force.

Advertising in trade journals, newspapers, and a general news magazine. Education through bankers' con-

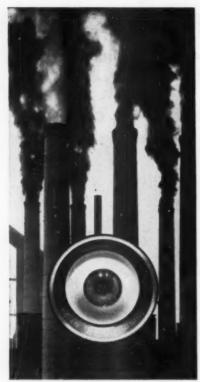
claves, IBM schools, and in-bank semi-

Publicity through news releases and

· How It Was Done-IBM commissioned the research firm of Seymour Smith Associates to make the study.

First, IBM defined its likeliest market for its character-sensing equipment: the 500 largest banks in the country. From this list, IBM and Smith made up a relatively large sample of 185 banks, broadly representative. Researchers then interviewed the officer designated by each bank as the man who would be most influential in deciding whether or not to invest in the specified equip-

The interviews were timed to take place about six weeks after IBM's introduction of the equipment and the start of the sales campaign. Researchers sought to establish which stage each banker had reached-awareness of the new product, comprehension of what it offered, conviction that it would be a good thing to buy, or outright readiness to sign on the dotted line. They also tried to pin down the communications



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You'll never know until you investigate! You'll be amazed at the versatility, simple operation, and low cost of Industrial TV systems by GPL, one of the world's leading manufacturers of industrial, military and broadcast TV.



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GENERAL PRECISION COMPANY

GENERAL PRECISION LABORATORY INC.
PLEASANTVILLE, NEW YORK

. . . IBM found it could cut way back on salesmen's involvement with the early stages of the selling job . . .

(STORY on page 69)

factors that had brought the bankers to this stage. The same questions were asked about competitive equipment as about IBM, and every safeguard was taken against revealing that IBM was sponsoring the study.

• Revelation—The findings were a revelation to IBM, which had realized how much it was overloading its salesmen in trying to sell more complex products to a more elusive customer in an expanding market.

in an expanding market.

"For the past 40 years," says Gilbert Jones, general manager of IBM's Data Processing Div., "we have consistently taken the position that advertising has a very minor influence in our marketing and that nothing can replace the effectiveness of the direct sales call."

IBM found it could cut way back on salesmen's involvement with the early stages of the selling job. Advertising and publicity can lead in creating awareness of the product, and educationaltype promotion in establishing comprehension, with assists from advertising and direct selling. Even in producing conviction-the point where the prospect says he will recommend buying IBM equipment-advertising can contribute almost as much as direct selling through personal calls. IBM is convinced it can get better results from its salesmen by freeing them to concentrate on the vital phase: the actual closing of the sale.

• Measuring Impact—In comparing how well each of the four forms of communication reached prospective customers, IBM found that even direct selling failed to reach more than seven out of the 10 men whom the banks themselves had designated as most influential in deciding purchases. Advertising scored on only four out of 10; education and publicity ranked in between.

However, when IBM graded its sample of 185 banks according to size, advertising sharply improved its impact score for the larger banks, indicating that it is effective in reaching the banks that IBM considers its best immediate sales targets.

Moreover, in producing "conviction," a pair made up of advertising and any other form of communication scored better than any pair that did not include advertising.

"Advertising costs showed up quite favorably for the jobs they performed in the program," says Phil Coulter, advertising manager for the Data Processing Div. "These results confirm our decision to rely much more heavily on advertising for pre-selling prospects and to concentrate our highly

trained direct sales force on the key jobs of turning comprehension into conviction, and conviction into orders."

Coulter says IBM has expanded its testing program to other new products, and the Electric Typewriter Div. will conduct similar tests of advertising's effectiveness

• Rare Opportunity—Studies based on much the same approach are being used by other companies such as Dow Chemical, U.S. Steel, and Esso Standard Oil, but IBM had the good fortune of being able to work under conditions that were about as close to being clinically perfect as is ever possible in the imprecise area of ad research.

Generally, this approach seems best suited to industrial products, especially new ones. IBM had such a product for study. It also had a well-defined, limited market—the 500 largest banks in the country. So it could afford to work with an unusually large sample—185 banks. This increased the possibilities for cross analysis.

Another advantage was the attentiongetting nature of the product; most bankers had been attentive to the possibilities of the character-sensing equipment in revolutionizing their accounting. Their reactions were much simpler, less swayed by irrational motives or conflicting influences, than would appear to be the case in advertising research of, say, consumer goods.

Finally, IBM was studying the impact of a single promotion campaign for a product that was new. This spared the researchers the problem of determining how much of the potential customer's reaction had to be attributed to the earlier advertising and sales efforts—the carryover or "inventory" effect. Ordinarily, this problem alone requires readings on advertising effectiveness at least twice, at wide intervals.

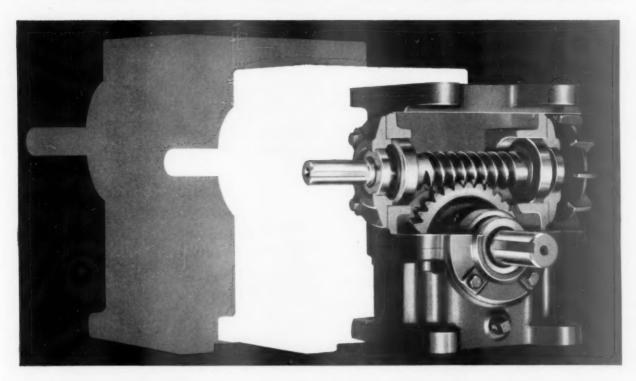
The breakdown of the communications process into four distinct stages also helps to eliminate—or at least isolate—the carryover effect.

• Flash Cards—Seymour Smith Associates used a tachistoscope to check on readership of advertising. This is a device that was used during the war to test aircraft recognition by flashing a plane's silhouette for a fraction of a second. The idea is that the subject can't fake familiarity with the object that's shown—he doesn't have enough time to study it.

Smith and his researchers used this device to flash advertising of IBM and its competitors, then measured readership by questioning the bankers on essential points of the ads.

Based on performance, Morse Eberhardt-Denver Speed Reducers give you:

MORE CAPACITY FOR YOUR MONEY



COMPARE poweRgear WITH "STANDARD" RATING (Fan-cooled poweRgear, 5" center) RATIO 60:1 ₩ 35 을 2.5 CONVENTIONAL Day 1.5 400 1000 1200 1400 1600 1880 2800 INPUT --- RPM

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These curves compare a 5 inch center distance poweRgear with a 5 inch center conventional non-fan cooled heavy duty unit. Because of its fan-cooled design and extra-heavy construction, a Morse E-D poweRgear Speed Reducer easily exceeds "standard" ratings . . . delivers more horsepower

Fan and fin cooling, extra-heavy-duty construction let poweRgear® do more work in a given size; you save space and weight, often trim initial costs

You get *more* than "rule-of-thumb" ratings call for, when you specify stock Morse Eberhardt-Denver poweRgear Speed Reducers. You pick and pay for the capacity you need . . . get it, as set realistically by exhaustive laboratory tests and critical on-the-job ratings.

Fan-and-fin cooling holds operating temperature down, sends rated life up on a poweRgear reducer. Its universal design permits mounting in bottom, top or vertical positions and includes extraheavy housing, shafts and bearings. Result: you can specify a smaller, lighter, more compact unit to do your job . . . get more capacity for every reducer dollar.

There's a Morse E-D poweRgear reducer for every job: fractional to 40 H.P.; ratios from 5:1 to 3600:1; center distances from 2" to 7". Other Morse E-D speed reducers: conveyor drives; miter boxes; helical reducers; gear motors; worm and gear sets.

FOR MORE FACTS, call your Morse distributor today (see the Yellow Pages under "Power Transmission.") Or write: Morse Chain Company, Dept. 3-129, Ithaca, N. Y. Export Sales: Borg-Warner Intl., Chicago 3, Ill. In Canada: Morse Chain of Canada, Ltd., Simcoe, Ont.



Shopping Centers: Still on the March, **but More** Carefully

Like them or not, they will keep spreading: "Some areas are overstored, but as long as the population expands out from the cities, retailing will have to follow"—NEW YORK MORTGAGE BROKER

"If downtown had to take care of all the shoppers, it would have to cry impossible"—ATLANTA RETAIL EXPERT

But requirements are tightening:

"Anyone who looks for a killing the first year had better stay out"-NATIONAL CHAIN

"We're more cautious now. We've learned that many centers are put together by amateurs, who want to make a buck and pull out"-NEW YORK INVESTOR

And new problems crop up:

"This business had fantastic possibilities, but the developer got lost

between the insurance companies and the tenants"—CHICAGO DEVELOPER "Developers now realize that the small tenant makes their profit, but they need the big tenants to get financing and drawing power"—BOSTON INVESTOR

"The national chains want you to give them the ground"—HOUSTON DEVELOPER "We had a big potential here till a bigger tenant came in and cut our market by a third"-MILWAUKEE RETAILER

More Science, Less Hit-or-Miss

For all the warnings of a few years ago (BW-Nov.17'56,p136), shopping centers keep right on coming. No threat of failure or overcrowding has shaken their hold on today's retail life.

A BUSINESS WEEK check of 20 cities counted some 40 giant regional centers now, probably well over 200 of all types. Chain Store Age estimated early this year that some 900 centers will have opened in 1959, against 600 last year (BW-Mar.7'59,p44); of these, perhaps 25 will be giants, against some 18 in 1958.

About 15 of the 20 cities queried have "plans" for at least one more large regional center, plus an uncounted number of smaller community centers and neighborhood strip types. (Definitions of a regional vary. Most common is a center of at least 500,000 sq. ft. of store space, with at least one department store, but in a smaller community, 300,-000 sq. ft. may constitute a "major"

· Expansion Plans-Practically every

big retailer has a projected center up his sleeve. Los Angeles' three major department stores have all announced new projects. San Diego has two opening shortly-and more to come. Macy's plans a new one in Kansas City and on Long Island. Bloomingdale and Bamberger will open new ones in New Jersey. Gimbels will go into Roosevelt Field. Boston and Seattle are due for another-presumably when money gets easier. Phoenix-with one regionalexpects a second. So does Houston. Chicago expects eight or nine new regionals to get under way next year. Pittsburgh, with five, has two more on the boards. Cleveland, with three, will get a fourth. Atlanta and Des Moines have both just got their first. Philadelphia, Austin, and Greenboro have no regionals so far-plans just around the corner. San Francisco, with six, doesn't see any new ones immediately, but new stores are moving into centers already operating or expanding present units. · Cup and Lip-True, there's a wide

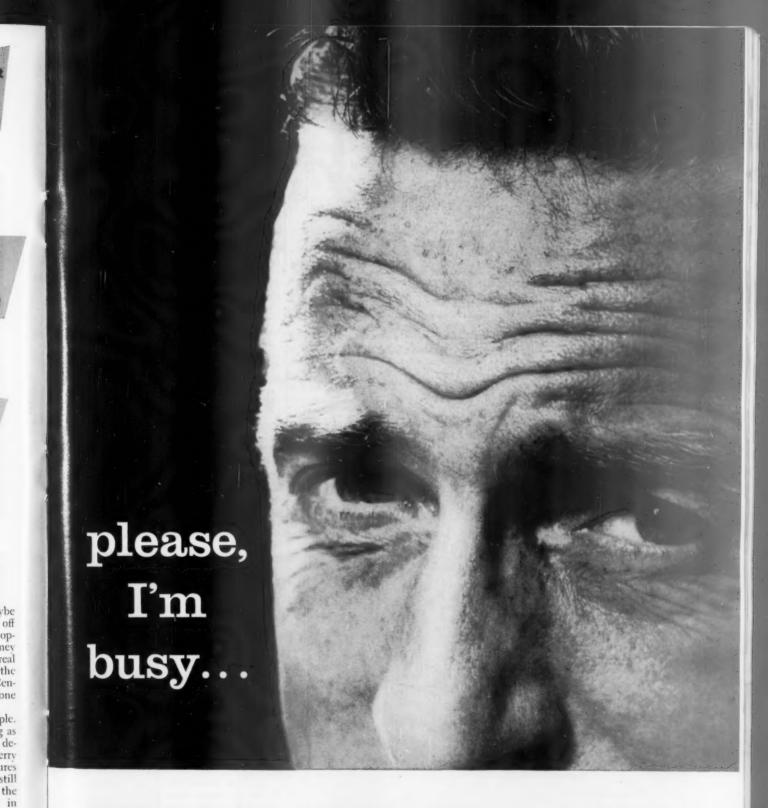
gap between plans and actuality. Maybe a tenth of those proposed will get off the ground. Right now, some developers are sitting out the tight money market. But, says Leonard Farber, real estate developer and president of the International Council of Shopping Centers, "Every developer I know has one or two centers on the boards."

The overwhelming reason is people. "Shopping centers look good as long as substantial housing and apartment developments keep coming," says Perry Meyers, retail consultant. The pressures come from two directions: (1) the still growing suburban market, and (2) the retailers, who have a major stake in reaching that market.

I. The Catches

The warning flags are still flying, however.

Some areas have had it, for the present, at any rate. Cleveland feels chuck full, reports a letup of interest in new



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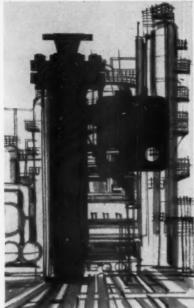
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959

That way, I'll get it quickly, clearly, and in writing. I'll have the right facts and figures at my fingertips. And—you'll save time and money, just as I do!

WESTERN UNION

Wherever the World's Basic Energy Needs Level Control...



Chances are...
it's Controlled by

Fisher

Automatically controlling the level of industrial liquids is an extremely critical function in many of the world's basic industries. Fisher Governor, world leader in research for better liquid level and pressure control, has for three quarters of a century kept "a step ahead" of current requirements in this important field.

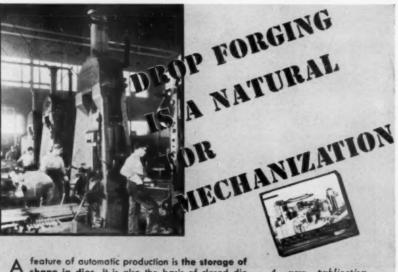
That's why control engineers in the petroleum, chemical, power and processing fields specify Fisher whenever accuracy and dependability are paramount.

If it flows through pipe anywhere in the world . . . chances are it's controlled by .

FISHER GOVERNOR COMPANY Coraopolis, Pa. / Woodstock, Ont. / London, England



MAIN OFFICE AND PLANT-MARSHALLTOWN, IOWA



A feature of automatic production is the storage of shape in dies. It is also the basis of closed die forging—"drop forging". Chambersburg, pioneer builder of forging equipment, today builds tools that, by carefully designed die configurations, precisely controlled blaws, and mechanized stock manipulation, will shape forgeable materials to close tolerances and, with shearing, heating and trimming equipment, create automatic or semi-automatic production lines, capable of increased output at lowered costs.

A new publication, "The Automatic Production of Forgings in Closed Dies", provides the latest information on bow to adapt these new developments to your forging operation. Write today for Bulletin 87-L-9.

CHAMBERSBURG ENGINEERING COMPANY . CHAMBERSBURG, PENNA.

CHAMBERSBURG

THE HAMMER BUILDERS
Designers and Manufacturers of
THE IMPACTER

... at least six cities think they are close to the saturation point . . .

(STORY on page 72)

centers. Milwaukee feels it is "at least" saturated. Nassau County, Long Island, is generally conceded to have plenty, and at least six of the 20 cities think they are close to the saturation point as far as giant centers go.

Some developers, in fact, think the country has all it can take of big ones. Don Casto, Columbus developer, believes present centers can handle the population for perhaps the next 15 years. By that time, population growth will dictate a new surge.

will dictate a new surge.

Money Problems—The second catch—and from many developers' eyes, the more important—is that they find financing of new centers a lot harder to come by nowadays. One big insurance company comments, typically, "We are reviewing leases a great deal more care-

Not only are lenders warier, cost of money, land, construction-everythinghas soared. Insurance companies charge 6% to 6.5% on loans, against 5.25% to 5.5% a year ago, one developer points out. In crowded Nassau County, just beyond New York City limits, a good location now brings \$22,000 an acre; 12 years ago, it brought \$3,000 · New Science-Along with the threat of near saturation and soaring costs, new conflicts and problems have come in the whole structuring and running of a center. As a Houstonian puts it, "There is not an overabundance of centers here, but the science of shopping center finance and operation has become more difficult."

Recognition of this fact is the most hopeful sign on the horizon. The Houston developer went on to sum up the biggest and most promising change in the whole shopping center picture. "The day of the amateur is rapidly coming to a close," he said. The pros are taking over. This fact points to a healthier distribution of retailing—and more profit for all concerned.

II. Why the Pros

BUSINESS WEEK found no outright failures in major shopping centers now operating—despite ominous mutters. But plenty of developers have found the shopping center is not the fast gravy train they had hoped.

Much of the trouble stemmed from inexperience, inadequate or inexpert planning. Early centers did not always allow enough parking space. Some analyzed the size of their market but not its income, and pegged their merchandise ECONOMY

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Honeywell scientists halve the cost of sorting business records

Sorting records on most modern data processing systems has been heretofore impractical, uneconomical. The function has required too much processing time, too much extra equipment.

Honeywell scientists originally licked this problem with DATAmatic 1000, the first system with speeds sufficient to make sorting economical.

This advantage is even more pronounced with Honeywell 800. Its magnetic tape speeds are the fastest available. Its internal operating speed is considerably faster than any comparably priced system. This performance, coupled with new Honeywell-developed electronic sorting techniques, actually halves the cost of sorting records. For many companies, it may mean a saving of thousands of dollars a month.

Sorting is but one of the many areas of business data processing in which Honeywell 800 can cut your costs.

For complete details about this remarkable system, call or write Minneapolis-Honeywell, Datamatic Division, Newton Highlands 61, Massachusetts, or Honeywell Ltd., Toronto 17, Ontario.

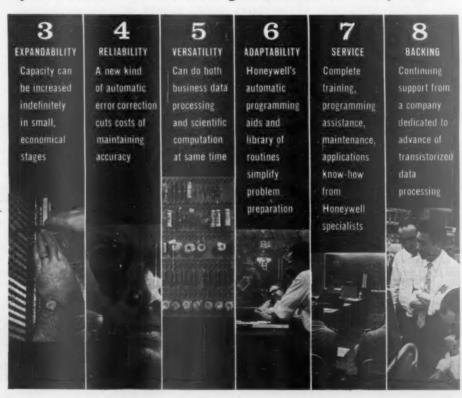
Honeywell



HONEYWELL 800

8 ways to identify the leader of the new generation of computers







You insure it when you own it ...why not when you don't?

When shipment is made—title passes to the purchaser. In place of your product there is now an account receivable. It is sound to insure while you own the product... equally sound to insure when your customer owns the product, and owes you for it. American Credit Insurance, by protecting accounts receivable, plays a major role in good management... makes a basic contribution to financial security and sales progress.

SEND FOR BOOKLET on the many advantages of modern credit insurance. Write AMERICAN CREDIT INDEMNITY COMPANY of New York... Dept. 42, 300 St. Paul Place, Baltimore 2, Md.

Protect your investment in accounts receivable

with American Credit Insurance

ANY ACCOUNT... NO MATTER HOW GOOD ... IS BETTER WITH ACI

too high or too low for the area. In some, bad layout brought the major stores big volume, left the small stores in the cold.

• Fast-Buck Operators—In addition, the shopping center field has had its share of fast-buck boys: those who grabbed land cheap, built on it—with inadequate financing—then pulled out.

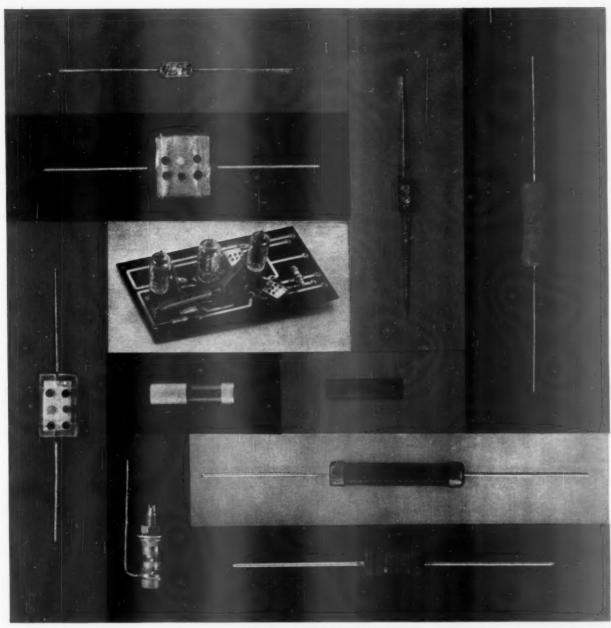
A typical example occurred in a majo southern city. Here, a developer hirca a construction company to build a large center, then ran out of money. "We had ourselves a big center whether we liked it or not," the builder says. To get the tenants, the developer had offered leases that brought in far too little. Selection of tenants was poor. Some merchandise was overduplicated, other lines weren't covered. Some tenants pulled out. The builder-owner now is renegotiating his leases, filling vacancies with new types of merchandise, and hopes he can pull out of his spot.

• New Rules—Bad planning and dollarhungry planners are the major reason for the growing wariness of lending institutions. Insurance companies are now insisting that minimum guaranteed rentals cover the fixed annual charges against the center. This works out to a formula that from 65% to 70% of the space be leased to companies with Triple A credit ratings. Edmund Thomas, of the mortgage firm of Brooks, Harvey & Co., recently pointed out that this ratio of "credit tenants" is roughly the ratio they occupy down-

The tighter requirements make for sounder financing, but they put the developer in a spot. He collects rentals in the form of a guaranteed minimum, applied against a percent of sales. Rates for both vary widely with the type of store. The developer needs a strong store for a regional—both for its drawing power and because of the lenders' insist-

ence on good credit risks. · Bargaining Power-But the big store knows its strength; it can dicker for a good lease. The result, says a Philadelphia developer, is that you almost have to pay the big store to come in. That leaves the small store-with a higher per square foot rental and a higher percentage of sales to pay the developeras his main source of profit. But he can lease only 30% to 35% of his space to the small stores. Furthermore, though the small store concedes it couldn't exist in a center without the big store's drawing power, it still gripes at leases that seem to it to be heavily weighted in favor of the majors.

As more centers spring up, competition for good credit risks gets stronger, and the bargaining gets sharper. Philadelphia developers have been sitting on tracts for months, waiting for the stores to come to terms. A rebellious Houston developer says, "If the big store wants



Glass offers unique sets of properties to constructions like these electronic resistors, capacitors, and printed circuit boards. Write Corning Electronic Components, 547 High Street, Bradford, Pa., for technical data.

Why these electronic components are glass

You can cover glass with dirt. Freeze it. Boil it. Bounce it. Take it up ten thousand miles where the air is rare. Bury it deep in a salted sea. And still it remains itself... with a set of electrical properties you can count on to stay fixed.

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When you know its secrets well, you can put a metallic coating on glass, cut spirals in it, and come up with a rugged resistor. You can seal layers of alumi-

num between strips of glass and achieve a compact, reliable capacitor. You can make printed circuit boards on glass, and other components to the tightest specs.

Many are the marvels of glass. There are pipes of glass that combine transparency with unsurpassed resistance to acids and harsh organics. There are optically ingenious street lights and signals that make roads and railroads safer.

"This Is Glass" will acquaint you better with this material, help you spot applications in your own field. For a free copy of this brochure, write Corning Glass Works, 46 Crystal Street, Corning, N. Y.

CORNING GLASS WORKS

CORNING CAN DO ALMOST ANYTHING WITH GLASS





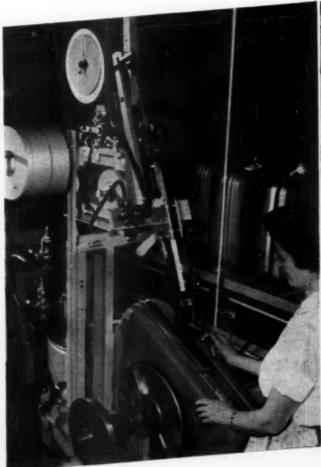
TAPEnology...industry's

TAPE that sticks on <u>both</u> sides trims Samsonite Silhouette costs 50%

When Shwayder Bros., Inc., switched to using "SCOTCH" Brand Double-Coated Tape to hold vinyl trim on their new Samsonite Silhouette line luggage, production more than doubled; costs were cut in half; costly clean-up steps were completely eliminated. And semi-automatic application gives perfectly uniform results every time!

COLORS that roll on dry end floor marking woes!

At Anheuser-Busch, Inc., they make sure their Budweiser cases are kept on the move by clear indications of temporary storage areas with marking of "SCOTCH" Brand Lane Marking Tape No. 471. This colored plastic tape resists wear; won't fade or dry out; requires no drying time. Markings can be changed day-to-day if necessary. "SCOTCH" Brand Lane Marking Applicator M-77 makes it a quick, clean, one-man job!





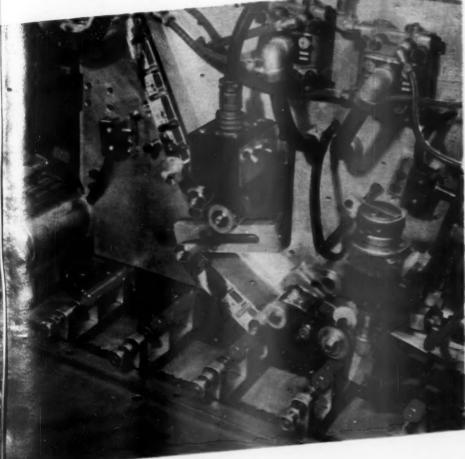
MINNESOTA MINING AND MANUFACTURING COMPANY



newest cost-cutting tool SCOTCH

TAPE that "talks" labels 3,000 filters an hour...automatically!

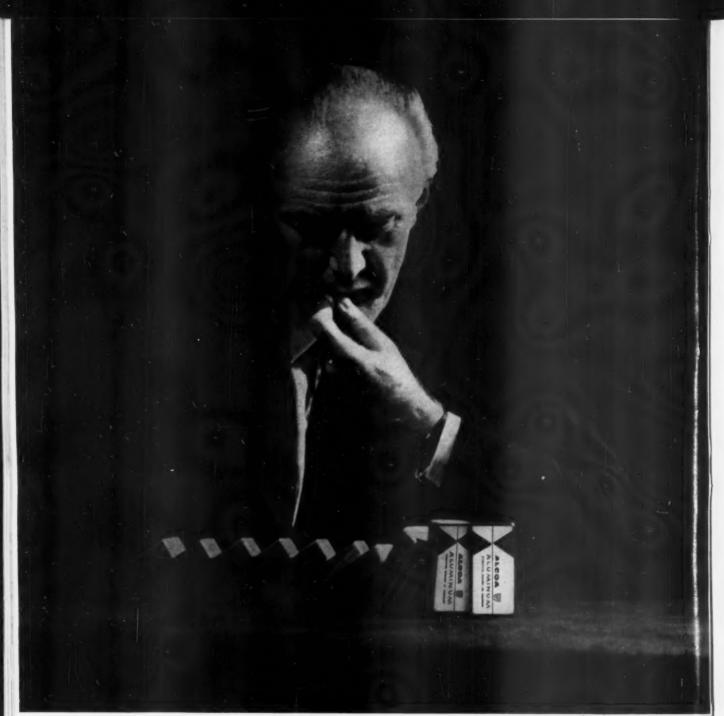
A labelled filter cartridge in less than 1½ seconds . . . up to 3,000 an hour! At Carter Carburetor Division of ACF Industries, Inc., that's the eye-blinking production clip for applying labels of printed "SCOTCH" Brand Polyester Film Tape No. 850 to their new in-the-line gasoline filter. What's more, the tape gives Carter an attractive label that holds its message indefinitely; resists weathering, road film, engine heat.



TAPEnology is a new way of looking at the more than 300 pressure-sensitive tapes trademarked "SCOTCH" Brand. It includes the "magic" qualities that make these tapes highly versatile "tools" for you: tapes that stick to any surface; tapes strong as steel; clear as glass; colorful as Christmas. Tapes that disappear—others that stand up to acids, alkalies, solvents. And it covers more than 100 "3M-MATIC" Taping and Dispensing methods to keep pace with any production line. Want to become a "TAPEnologist" yourself? It's easy. Ask your nearest "SCOTCH" Brand Distributor, or write us: 3M Co., 900 Bush Ave., St. Paul 6, Minn., Dept. IAB-129.

When tape costs so little, why take less than "SCOTCH" Brand?

SCOTCH SCOTCH



Photograph by Bruce Davidson

EIGHT DOWN AND TWO TO GO FOR B.B. RANDOLPH

When B. B. Randolph began building recognition for the Alcoa label, you had never seen it before. But by harnessing the power of advertising at the staggering rate of 8,000,000,000 impressions annually, he has made it familiar to eight out of every ten of your customers. Now he's working on the other two.

Today, consumers say the Alcoa

label's influence on their purchases is almost five times greater than in 1956. Retailers count so heavily on its help in selling that they have sent back whole orders shipped without it. Facts like these have prompted 1,661 manufacturers to affix the Alcoa label to more than 8,000,000 items this year.

Because Alcoa has people like B. B.

Randolph who help you with sales support unmatched anywhere else, you get extra value in every pound of Alcoa® Aluminum you buy. You can start this added value coming your way and increasing sales by calling your local Alcoa sales office. Aluminum Company of America, 2016-M Alcoa Building, Pittsburgh 19, Pennsylvania.



ALCOA helps you design it, make it, sell it



Alcoa has hundreds of B.B. Randolphs to help you design it, make it, sell it

All of Alcoa's skills are mobilized to a single purpose: To put more than just 16 ounces of metal in every pound of Alcoa Aluminum you buy. Here are 12 of the dozens of ways to do it:

- 1. Research Leadership, bringing you the very latest in aluminum alloys and applications.
- 2. Product Development by specialists in your industry and your markets.
- 3. Process Development Labs for aid in finishing, joining and fabricating.
- 4. Service Inspectors to help solve production problems at your plant.
- 5. Quality Control to meet top standards or match your special needs.
- 6. Complete Line including all commercial forms, alloys, gages, tempers.
- 7. Availability via the nation's best stocked aluminum distributors.
- 8. Foremost Library of films and books to help you do more with aluminum.
- 9. Trained Salesmen with a wealth of on-the-spot information.
- 10. Sales Administrators constantly on call to service your orders.
- 11. Year-Round Promotions expanding your old markets, building new ones.
- 12. The Alcoa Label, leading symbol of quality aluminum, to mark your goods.

Added Values With Alcoa **Aluminum**



... is a case book of Alcoa special services and a guide to their availability in design, manufacture and sales. Your copy, with some of the most rewarding information you may ever read, is waiting and it's FREE. Write: Aluminum Company of America, 2016-M Alcoa Building, Pittsburgh 19, Pa.

us to give him the land, we say to hell with it, and plan a smaller center."

· In Balance-Still another difficulty rises from the fact that many developers feel that the "homey touch" of local stores is good for a center. Again, these stores often don't meet lenders' qualifications for national credit ratings. "I'd like to have 50% of my space go to the local stores," one developer says. That is why Edward Noble, president of Atlanta's big new Lenox Square (BW-Aug.15'59,p56) feels he was fortunate. This center, sponsored by the Noble Foundation, was financed with cash. So Noble was free to pick his tenants -and Lenox Square practically duplicates downtown Atlanta.

It takes real expertise to strike a balance between the developer's ideas of a good center and the lenders' requirements. And a small army of market analysts, leasing experts, financing experts has formed to supply the expertise.

Many lenders and mortgage brokers insist that, given a soundly planned center, financing presents no problems. The mortgage broker, Ivor B. Clark, says, "Shopping centers have a built-in hedge against inflation. Rentals are pegged to retail sales."

Not all investors agree, either, that the shopping center has been overdone. "I think developers who say there are too many say this to keep competitors from putting up more," says a Boston mortgage expert.

III. The Merchants' View

Many big merchants agree. Says Federated Department Stores' Vice-Pres. John F. Lebor, "The shopping center is a fundamentally sound development, but many are unsoundly conceived. We will have more. There are still many places that would justify a regional center." Allied Stores Corp.'s Andrew Murphy-assistant to Chmn. B. Earl Puckett-puts it, "Shopping centers are an expression of growth. . . . But stay out if you expect to make a killing in the first year.

· New Science-The new science reaches beyond the early analyzing and financing stages. Running a center, too, is becoming a science.

Developers recognize now that you can't stop once your center is open. "Promotion is a center's life blood,"

says Columbus' Don Casto. Increasingly, leases require tenants to join the merchants' association and contribute to over-all center promotion on a prorated basis. The big stores are more apt to come around if developers contribute to the promotion themselves. And some recognize the necessity for paid center officials to direct the center's promotion. Allied, for one, has a full-fledged corporate management team to run its four large centers.

Thinking on basic center layout hasn't changed much. Most notable trend is the center that faces on a mall, enclosed for air conditioning. Architects such as Welton Becket & Associates naturally like aesthetics, and often they pull customers. But they cost

Competition abets the trend to frills, costly or not, however. Says a Cleveland construction man, "Nowadays you have to spend \$20,000 on fluorescent lights. A few years ago \$5,000 would have been plenty."

· Views on Merchandise-If layout changes are few, there are signs of a change of heart about the kinds of merchandise a regional center should offer. The majority of developers and merchants cast a strong vote for popular-priced merchandise.

Allied, for one, feels that this can be a mistake. Newton L. Walzer, vicepresident of Allied's Jordan Marsh, feels there is room in a center for all types of merchandise. Its big center in Peabody runs the gamut from popularpriced tenants to quality stores. At-lanta's Lenox Square, too, put heavy emphasis on quality merchants. Los Angeles' Bullock's built its Fashion Square in Santa Ana with the idea of offering customers "shoppers' goods"— the special, more important items than run-of-the-mill purchases. Fashion Square has proved so successful that Bullock's is building another in the San Fernando Valley. And some of the plusher stores and specialty shops are clustering in small units-the better to control their neighborhoods. A brand new example: a one-roof center, with De Pinna, Jensen, and F. A. O. Schwarz, adjacent to Eastchester's Lord & Taylor, opened this August (BW-Jul. 6'57,p63).

IV. Impact

If the trend to upgrade continues, this could prove an additional blow to downtown. For downtown counts as one of its great strengths the fact that consumers head for the big city when they want to make important buys.

Actually-while downtown everywhere admits it feels the centers-many cities report that the scars show signs of healing. Chicago's State St. this year, for example, reported a 1% gain for the first 43 weeks over the 1958 period. True, other areas gained 6%-but last year State St. had a 6% drop from 1957.

In some cases, aggressive promotion has staved off further downtown losses. More cities report "Downtown Days." The downtown closed-off malls are a dramatic gesture, but few have yet proved their worth (BW-Nov.28'59,

To many, a promising development



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for downtown is the trend to putting in centers—often of the community or neighborhood type—in connection with urban renewal programs. Atlanta, Chicago, Cleveland, Philadelphia have such plans on the board. Dearborn and Livonia in Michigan have adopted this tactic. Torrington, Conn., has an extensive plan. Des Moines is working up a program.

 Change in Character—Not many people—including retailers—have written off downtown, as extensive downtown renovations and additions attest. Yet some places note a change in down-

town's character.

Palo Alto's downtown, blitzed by shopping centers a few years ago, is recovering. Only, instead of retailers coming to fill up the holes, financial firms, real estate, and other nonretailers have moved in.

New office buildings promise a working downtown market, and the "return to the city" of older suburbanites holds some hope. But downtown pins its faith chiefly to its merchandise.

Some cities report that the regional centers have hurt the smaller centers worse than they have hurt downtown. In Milwaukee, five older centers have taken a walloping as bigger, newer centers opened. The two-car family has been a factor here. Since more women now have cars to use, they can make the trip to the larger, more distant center. Significantly, several developers note that the regionals are going in more strongly for service establishments, food markets, and other "convenience" goods.

• Population Factor—Overshadowing—or lighting—the picture, though, is the persistent population growth. This explains, says an executive of John Hancock Mutual Life Insurance Co., why downtown has not been hit worse than it has. It couldn't handle the growing market if it wanted to. A Cleveland retailer figures that, of every \$20-million spent in shopping centers, \$10-million comes out of downtown's hide. But that still leaves \$10-million that represents plus business.

In fact, population growth has built not only the good centers but the bad. Says a member of the architectural firm of Victor Gruen Associates, "Some centers are commercial slums the day they are built. But the influx of population sayes many that should be dead

in a year.'

In the rush for the market, the country may be overbuilding. The fast-buck operators die hard—and many are still playing the field. But the population will come if the planning has been sound. C. L. Weill, Greensboro realtor says, "This current effort is to catch up. In catching up, we are going to overdo. Then in 10 or 12 years, we'll have digested it."



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One important advantage of plant models is that managements can fully exercise their judgment and experience in approving design and layout before construction starts.

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More Teeth in Anti-Merger Law

Ruling of federal court in Brown Shoe-Kinney case is so interpreted by Justice Dept. antitrusters. They call it their third straight major victory since 1950 amendment.

Antitrusters are talking confidently of the court decision in the Brown Shoe Co.-G. R. Kinney Co., Inc., merger (BW-Nov.28'59,p75) as a major victory for their interpretation of the Clayton Act, as it was stiffened by Con-

gress in 1950.

Judge Randolph H. Weber in U. S. District Court, St. Louis, ruled that Brown Shoe will have to divest itself of G. R. Kinney Corp., the wholly owned subsidiary that took over assets of the former Kinney company. Brown has announced that it will appeal to

the Supreme Court.

• Breaking Trail-This is only the third ruling by a court since the law was amended to forbid the acquisition of a competitor's assets as well as its stock. The other two balked merger of Bethlehem Steel Co. and Youngstown Sheet & Tube Co. and the acquisition of a Washington (D. C.) dairy by the Maryland & Virginia Milk Pro-

Justice Dept. lawyers say this is the first ruling under the 1950 law on vertical acquisition-a manufacturer's move into retailing by the merger route. Brown Shoe was, before the 1956 merger, the fourth largest manufacturer of shoes; Kinney made a few shoes but was principally known as the largest family shoe store operator in the coun-

• Shedding Light-Judge Weber's decision sheds light on some pending cases where similar issues are involved -particularly in terms of a merger's impact on competition. It also throws the shadow of Section 7 across industries that have so far been free of

antitrust prosecution.

Perhaps more important is the manner in which judges are deciding the merger cases. Taken together, the Bethlehem, milk producer, and Brown Shoe decisions show a marked degree of acceptance by three different judges of the philosophy behind the antimerger law: that big companies shall not be allowed to grow bigger through merger with other companies if competition may be threatened.

An equally important element running through the court rulings is the pragmatic economic reasoning on which they are based. The judges are not being swaved by economic theorizing but are looking as best they can for practical, everyday information

from the industry involved.

Lawyers on both sides of a case are submitting intricate legal theories, derived from all previous cases involving similar issues. But the judges are putting primary reliance on the facts developed in each case, and applying what they find to the language that Congress used in writing the 1950 amendments to the law.

· Line of Commerce-Judge Weber shows this attitude in handling all the issues involved in the Brown Shoe

Merger cases typically break down into rulings on three major points:

· What is the line of commerce or product involved?

· What is the section of the country or market area involved?

• What is the competitive impact of the merger in that market?

On the first of these, Judge Weber said that "an analysis of the maze of cases on the subject leads one to conclude that a 'line of commerce' cannot be determined by any process of logic and should be determined by the processes of observation. . . . In other words, determine how the industry itself and how the users, the public, treat the shoe product."

Judge Weber concluded that "men's," "women's," and "children's" shoes were separate product lines to be considered in the case. In this, he largely accepted the government position and rejected Brown Shoe's argument that product lines had to be determined by grade, quality, price, and

· Market Area-The government and Brown Shoe were even closer together on what market areas were involved. Both recognized that manufacturing must be measured in terms of the whole country. As for retailing, both recognized that retailing is done in local markets, though the government took a single city as its unit of market while Brown Shoe wanted to enlarge the market into a metropolitan area.

· Market Impact-Justice Dept. antitrusters generally agree that it is on the issue of market impact that Judge Weber's ruling has greatest significance.

The Brown-Kinney merger does not involve a combination of very large shares of either the retail market or the manufacturing phase of the shoe industry. In 1955, before the merger, Brown was the fourth largest shoe manufacturer, but had only about

3.9% of the industry's total shoe production; Kinney had only 0.5%. In 1957, after acquiring Kinney and adding in its modest production, Brown's share of production had risen to around 5% and it had moved to third in industry rankings.

• Still Significant-Nevertheless, Judge Weber rejected the argument that the merger would not pose a serious threat

to competition.

"What difference can it make that Brown has only 5% of the shoe production and Kinney 0.5%, when Brown is the fourth largest firm in the U.S. and Kinney, with only 0.9% of all retail shoe sales, is the largest family shoe chain retailer? The test is, what do the facts show as to the trends in the industry and the true economic impact of this particular merger, which takes place among an industry having a few large firms that control a sizable segment of the total, with the balance divided among hundreds of others having only minute segments?'

Judge Weber then proceeded to analyze the Brown-Kinney merger in these terms. He noted that there has been a "definite trend" of shoe manufacturers in buying up retail outlets; that after such acquisitions, the manufacturer's sales to that retailer jump (Brown, for example, sold no shoes to Kinney prior to the merger; subsequently, its sales to Kinney reached 7.9% of all Kinney shoe purchases, making Brown the single biggest Kin-

ney supplier).

The result, says Judge Weber, is twofold: Retail markets for independent manufacturers are being "seriously limited," and it is "harder and harder" for independent retailers to compete with company-owned and company-

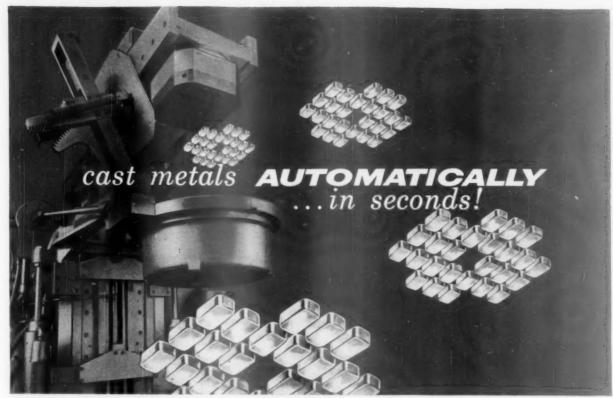
controlled retail outlets.

· Next Step-The result is still to be argued over in the Brown case. Judge Weber this week delayed handing down his final order in the case until Dec. 8. The big remaining question is whether Brown Shoe will be ordered to submit a plan for divesting its Kinney stock before it can appeal Judge Weber's

One way of doing this would be for Judge Weber to include in his final order next week a provision requiring

Brown Shoe to file a plan.

This is what the Justice Dept. hopes for: It says that since the district court allowed Brown and Kinney to merge after the suit was brought only on condition that all operations and assets be kept separate pending outcome of the trial, an order splitting up the two should not be very difficult to work out. END



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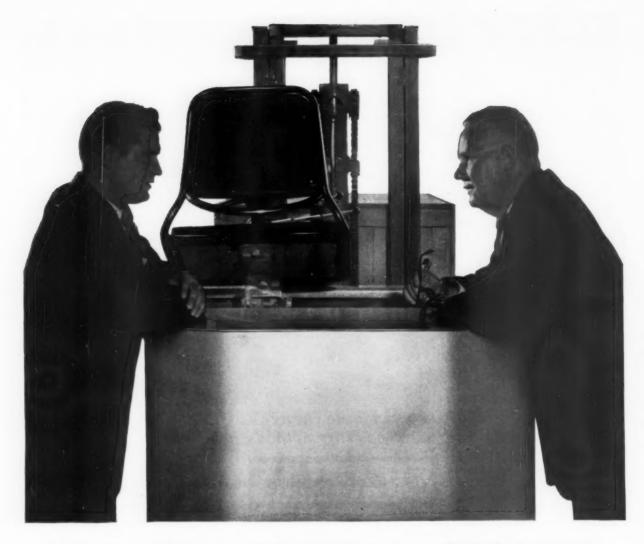
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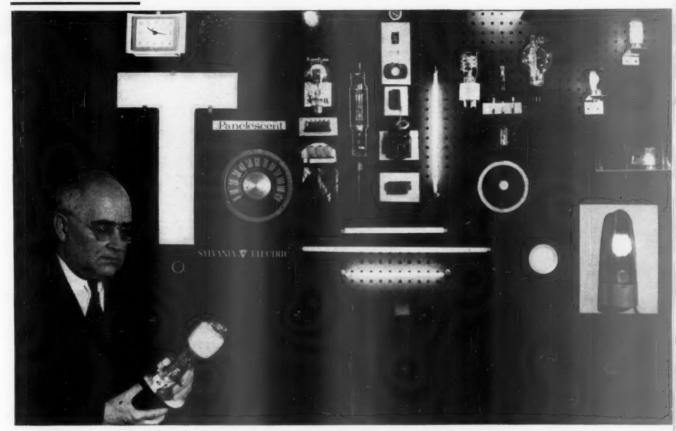


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SYLVANIA'S Vice-Pres. O. H. Biggs checks the products that are boosting his company to a top position in special lamps.

More Specialization in Lighting

Lampmakers are adapting their facilities to permit more designs outside their high-volume main lines.

To meet the growing challenge to provide more and better light, lamp-makers are turning out a wide range of new lines—from giant mercury ares and pulsing airport lights down to the tiny bulb for computers (picture, page 90) just announced by Sylvania Electric Products, Inc.

Unlike some industries that direct most of their new products toward mass markets, the lamp companies can't expect too many of their innovations to jump into the high-volume category of their main lines—standard incandescent, fluorescent, and sometimes photographic bulbs. Last year, these accounted for an estimated 1.6-billion units worth \$699-million, out of industry totals of 2.6-billion units with close to \$900-million in sales. So, many lampmakers are adapting their facilities so that they can develop and make "special" lamps outside these main lines.

· Going Places-Sylvania, a subsidiary

of General Telephone & Electronics Corp., is pushing this trend at its Lighting Products Div. in Salem, Mass. Paul Cameron, manufacturing manager for special products, says the company couldn't overcome the lead of General Electric and Westinghouse in mainstream products. But it felt it could get more than a proportionate share of the market in new lamps if it was properly organized.

GE is so much bigger than the other members of the Big Three in lighting that it can easily claim more new products than Sylvania does. Otherwise, Sylvania's competitors admit the company is going places in the special lamp business. Some Westinghouse engineers say that Sylvania's aggressiveness gives it a lead in certain special products, even though they feel that some of their own new lamps are better. One small lampmaker puts Sylvania at the head of the list for significant innovations but wonders "if they're not trying to do too much too soon."

 Setup—To achieve its place in the specialty field, Sylvania has a special products group that does everything from development to marketing—while other companies handle special lamps within a more general framework. Sylvania's setup puts the company's special products group on equal footing with its incandescent, fluorescent, photo lamp, and fixture departments. Each has its own development team, production equipment engineers, and manufacturing plants. The special group also has its own sales force.

Even more important, the special group starts to work with the central lighting research department much earlier in the development cycle than is usual. And even after manufacturing takes over, the R&D men are free to get back into it. When it comes to improving a product, "No one-can hide behind the organizational line," says O. H. Biggs, divisional vice-president for research and engineering.

The Westinghouse system differs from Sylvania's in that it relies on a central engineering department as well as on a central research team—although its engineers tend to specialize in product lines. Its products are divided into two groups—one for photo lamps and miniatures, mostly automotive lamps; and one for "large lamps,"

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MITE-T-LIGHT, a tiny bulb for computers, runs on power off a transistor.

which includes standard incandescents and fluorescents and everything else. The engineers act as liaison between research and manufacturing.

GE offers more of a contrast. Once a product leaves central research, it goes to one of three product groups incandescent, fluorescent, or mercury and other arc or vapor lamps. Each has its own pilot plant. Lamps past the pilot stage that require very different production machinery go to a special

manufacturing plant.

• Pilot Plant—The pilot plant can be the key to the economics of making special lamps. In most industries, a pilot plant's function is to test new equipment for new products, or to find better ways to make old products. Pilot plant products generally are marketed only for test purposes. GE uses its pilot plant in much this way.

But at Sylvania, and to some degree at Westinghouse, equipment development is a separate operation from the pilot plant. The newest products are often piloted and made for small-volume commercial marketing on the oldest equipment. The more modern equipment is saved for high-volume production. Of course, some products are so radically different that new machines or procedures must be developed before they can be made at all. Examples are Sylvania's new microminiature lamp, and the electroluminescent lamps-flat plates that light up when an alternating electric field is applied to a phosphor-made by Sylvania and Westinghouse.

• Ready Equipment—This system doesn't slight the development of new manufacturing equipment. That often goes faster because the company doesn't have to rely on new machines for the initial runs of a new lamp. For instance, Sylvania's production of sealed-

beam PARs (parabolic reflector) is close to 4-million a year on standard equipment at Salem, and is ready to move into a separate plant. With it will go new machines that speed up production to twice the normal rate.

• Flexibility—The "old-fashioned" pilot equipment at Salem—where the different shops produce \$10-million a year in special lamp sales—has a useful flexibility. For one thing, Sylvania can produce four types of lamps that other big companies find uneconomical by rotating them, up to three months at a time, on the same production facilities. Alone, each might be unprofitable; together they add up to \$1-million a year.

Flexibility in lamp production can also speed up product development and give a company the jump on its competitors. Sylvania demonstrated this when it came up with a new lamp for motion picture and slide projectors. It developed a radio tube-type base that eliminated the need for special sockets, and the company immediately began to take a commanding position in the projector lamp field. GE and Westinghouse followed suit, adding improvements of their own-ruefully, in the case of Westinghouse, since Sylvania's speed has pre-empted a Westinghouse development its engineers thought superior. Sylvania then came up with a lamp with its own reflector, eliminating the need for a concentrating lens in the projector. GE and Westinghouse again had to improve on a competitor's product rather than develop their own radical concepts.

• Favorites—The range of special lamps developed by special efforts is indicated in each company's current favorite among new products. At Sylvania, it's the Mite-T-Light microminiature, 0.04 in. in diameter, 0.125 in. long, and capable of running on the power off a transistor without relays. It's made by hand-but on an assembly-line basis, under microscopes. At GE, it's iodinecycle thin quartz tubes that don't blacken (BW-Jun.20'59,p196). At Westinghouse, it's ultraviolet lamps that kill germs. At Duro-Test Corp., it's a mercury lamp called Fluomeric that can be plugged into ordinary incandescent fixtures. Considered a dramatic innovation when developed in 450-watt and 750-watt versions, the Fluomeric is now available in 1,750-

• Critics—Despite the efforts to develop specials, some critics—such as lighting expert Abe Feder (BW—Mar. 8'58,p52)—condemn the lampmakers for sticking to evolutionary development instead of striking out in their own research, and for thinking in terms of bulbs rather than lighting. Lampmakers say that any other way would be uneconomical. But some think their special lamp efforts at least light the

way toward progress. END



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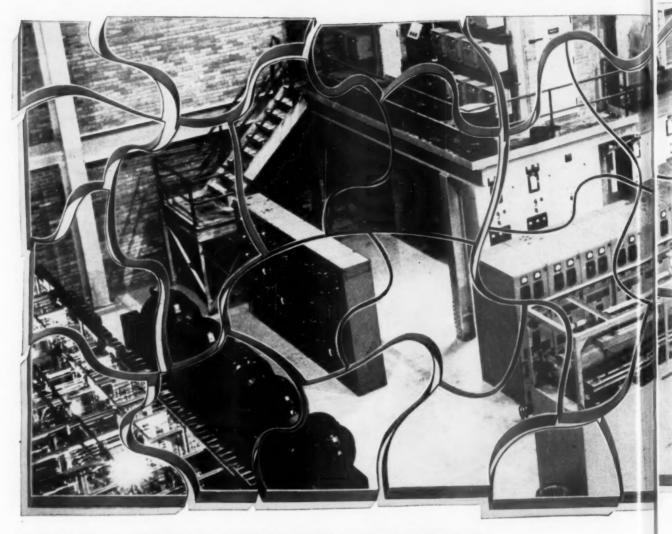
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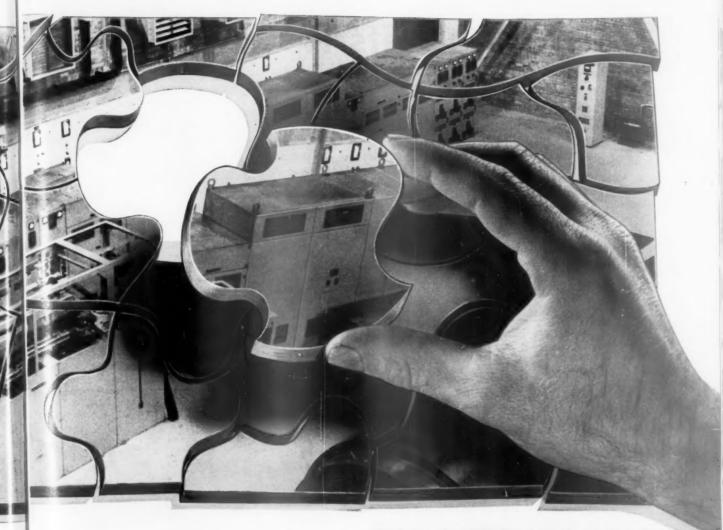
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How a Titan Gets Ready to Fly

Complicated machines are needed to put ICBM together, many tests to get it into flight —with one big one still to go.

"Once you get ready, building a large missile isn't much of a problem," says Robert N. Blakey, director of manufacturing for Martin Denver, Div. of the Martin Co., builders of the Titan intercontinental ballistic missile.

Because a missile cannot return to base once it is launched, it has to be right for the first flight. That means very tight specifications—not only in the electronics systems that replace human operations, but in the fabrication of the metal parts that make up the "bird" itself.

So it's the getting ready that takes all the time, sweat, and money—the endless research and development, and the constant checking and testing to make certain every component is just right and performs specifically as designed.

Once that's done, Blakey says, he finds the actual construction of a complete missile offers fewer problems than he's found just in the wing of any bomber he has worked on.

Last week the Martin Co. showed BUSINESS WEEK how its Martin Denver Div. puts a Titan together in its tidy plant 20 miles southwest of Denver.

I. All in One Place

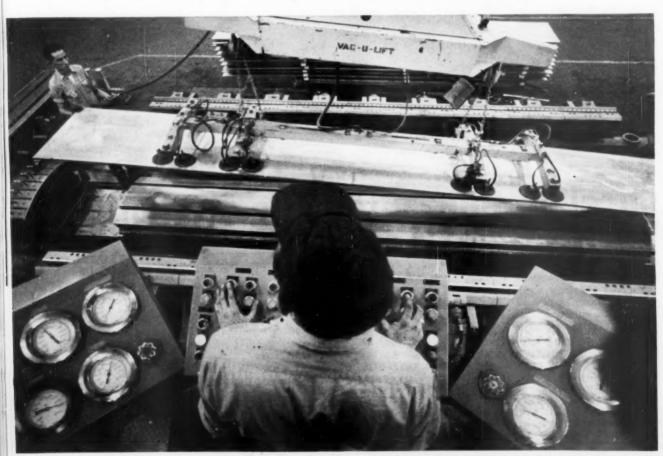
The Martin plant has been described by the Air Force as the first "integrated" missile facility. That means that a missile can be taken right there all the way from an engineer's line drawing through fabrication to the final testing and checkout for flight. No operation, including the checkout on the isolated mountain test stands, is more than a five minute drive from any other.

The 22 buildings of the Martin Denver plant stretch over 7,000 acres that used to be two large ranches. A study of the way the 1.3-million-odd sq. ft. of floor space is allocated tells you something about missile making—though the situation is a little different in plants that don't do all their own research and development.

research and development.

About one quarter of Martin Denver's space is given over to engineering and administration. Another quarter is devoted to the factory itself. Nearly all the remaining area is devoted to some form of test facilities. For example, the general purpose laboratory alone has 102,000 sq. ft. Hydrostatic test fixtures, vertical test fixtures, propulsion laboratory, test stands, and control buildings make up the remainder.

• Contrasts—Something that takes your eye immediately is that hundreds of engineers (there are 2,000 of them) and administrative people are jammed together in their quarters. But in the clean and relatively quiet factory, a small number of production workers have



STRETCH FORMER, a Hufford stretch press, was specially designed to pull Titan's extruded aluminum skin panels to desired curvature, after close-tolerance machining. It has a 380-ton pull.

WELDING RIGS are also all specially designed; this one grips, lines up, and automatically welds three panels like the one on the floor into the cylinder for second stage.



CHEMICAL MILLING removes excess metal from less critical stress areas—for every ounce counts. Worker is stripping protective coat off areas not exposed to etchant.



TESTING is continuous from components to complete bird; this is first test for assembled Titan, to see how it stands vibration, stress, temperatures from 600F outside to minus 300F inside.



TITAN'S PRODUCTION LINE is simple, with first stage sections coming down one row in factory, second stages down another; it requires few workmen on the floor.

ample room. This situation bears out an axiom of missile making—for every production type job, you have one thinking type job. At Martin Denver, not quite enough space was assigned to the paper pushers. This is being corrected.

Another interesting "people ratio" in a missile plant is the number of persons who work on structures or fabrication compared to the number of people who install wires or test them. In aircraft manufacturing you have four or five workers in structures to every one working on wires. In missiles, the ratio is one to one.

• Scarce Machinery—Another thing you notice—and this is typical in missile factories—is that there is not much machinery. But the machinery the plant does have is specially designed and very expensive. You'll see several million dollars worth of special welding and trim fixtures, another million dollars worth of Hufford stretch presses, a Giddings & Lewis tape-controlled milling machine, and such exotic departments as chemical milling.

Around the factory floor are laboratories needed for the constant checking and documentation that goes on in missile manufacture.

II. Skin for a Missile

The Titan is, basically, a two-stage missile. The simplest explanation of each stage is that it contains two fuel tanks and an engine. The fuel tanks themselves form part of the outside structure of missile's skin or fuselage.

The main propulsion system, built

by Aerojet-General Corp. and generating 300,000 lb. thrust, makes up the first stage. At the bottom of the second stage is the sustainer engine. Then, riding the top of the second stage, comes the re-entry vehicle, which contains the payload and the autopilot and guidance system controlling the missile's flight.

• In One Piece—The Titan's fuselage is similar in a way to a conventional aircraft structure. That is, it has a skin with stiffeners or "stringers" attached. In the Titan, however, the stringers form an integral part of the skin. An entire section of skin, complete with stringers, is extruded in one piece, which can be up to 30 in. wide and 24 ft. long.

These sections of skin are machined, formed, fitted together, and welded to form a cylinder.

• Welding Problems—The big production problem Martin had to solve was welding these panels. But the solution of this problem involved also the earlier steps of machining and forming.

In 1955 the Aluminum Co. of

America, according to Blakey, said that the metal Martin wanted to use—a copper-rich (5%) 2014 aluminum alloy—was "unweldable." That was because of the necessity of closely controlling welding temperatures and the arc gap in the Heliarc welding process.

To solve this, the Air Reduction Co., Inc., designed special electronic-controlled welding and sheet-trimming equipment. The welding process itself uses a tungsten arc shielded by inert gas (helium and argon). The heat-affected area of the parts being welded

has to be held to a minimum in order to obtain the required tensile strength in the welded joint. This problem was solved by backing each side of the butt joint with an aluminum chill bar to dissipate the heat.

But there's another requirement. Because all the welds in the missile structure are butt joints, you must have very accurate trim control on the parts welded. This calls for special machine tools to trim the parts to .001-in. tolerance so that you get exact butts. The metal panels must fit together with no more than a .015-in. gap anywhere along the length. When you can hold the parts to .001-in. tolerance, the weld will zip them up that tight.

• Machining—Martin Denver gets the panels in extruded form in 30-in. wide sizes from two companies: Alcoa, and Harvey Aluminum of Torrance, Calif. But when the panels arrive, they are accurate in thickness only to within .025

Weight control is important in a missile, since the empty Titan weighs only 7% of the gross 220,000 lb. it weighs when fueled and ready for flight. So the sheets from the mill are processed down to a thickness tolerance of plus or minus .003 in. This is done on a Giddings & Lewis magnetic tapecontrolled automatic milling machine.

• Forming—Then the panels are formed to the radius required for 12 of them to make up a cylinder. To do this accurately, Martin had a special Hufford biaxial stretch press designed, the first in the industry, with a 1,400-ton capacity. It's 43 ft. long, 111 ft. wide, and 20 ft. high.

Stretching as a fabrication method, says Blakey, is superior to other methods such as shot peening and die quenching, because it forms a part "right on the money," and also reduces the residual stresses that were in the basic extrusion.

More weight is then cut out of the panels by chemical milling. Panels are chemically etched so that metal is removed from less critical stress areas at a controlled rate, usually at about .001 in. per minute.

III. Assembling the Barrel

The tank body sections, or "barrels," made up of 12 panels in the first stage, are assembled in several steps. For the assembly, they are held in position on brake-shoe-like clamping paddles by finger-like, pneumatic clamps that grip the internal T-shaped stringers.

Three panels are placed in the fixture to form a quarter-barrel subassembly, then moved under the welding bridge. The automatic welding head, as it traverses the welding bridge, automatically closes the longitudinal seams.

Four quarter-barrel subassemblies are



Runways at Chicago's O'Hare Field now converted to jet use

by an overlay of CONCES



With concrete, the strength is in the concrete itself. It is not just a smoothing overlay. Loads can be computed mathematically. With the bearing values of the soil plus the old pavement at O'Hare, 11 inches of concrete did the job—a big savings. Because the flexible pavement had become channelized and rutted, a 3-inch granular leveling course was used to insure uniform concrete thickness.



Resurfacing with concrete turns old runways into new. . . brings them up to jet-age needs

At Chicago-O'Hare International Airport, they simply covered the flexible pavement with modern concrete. With the old pavement serving as a subbase, 11 inches of concrete gives the necessary strength to handle the heaviest jet wheel loads expected.

The beam strength of concrete makes such overlays possible. Concrete is the only paving material that can be precisely designed to match future loads. That's why concrete runways can be expected to last 50 years and longer. There won't be any

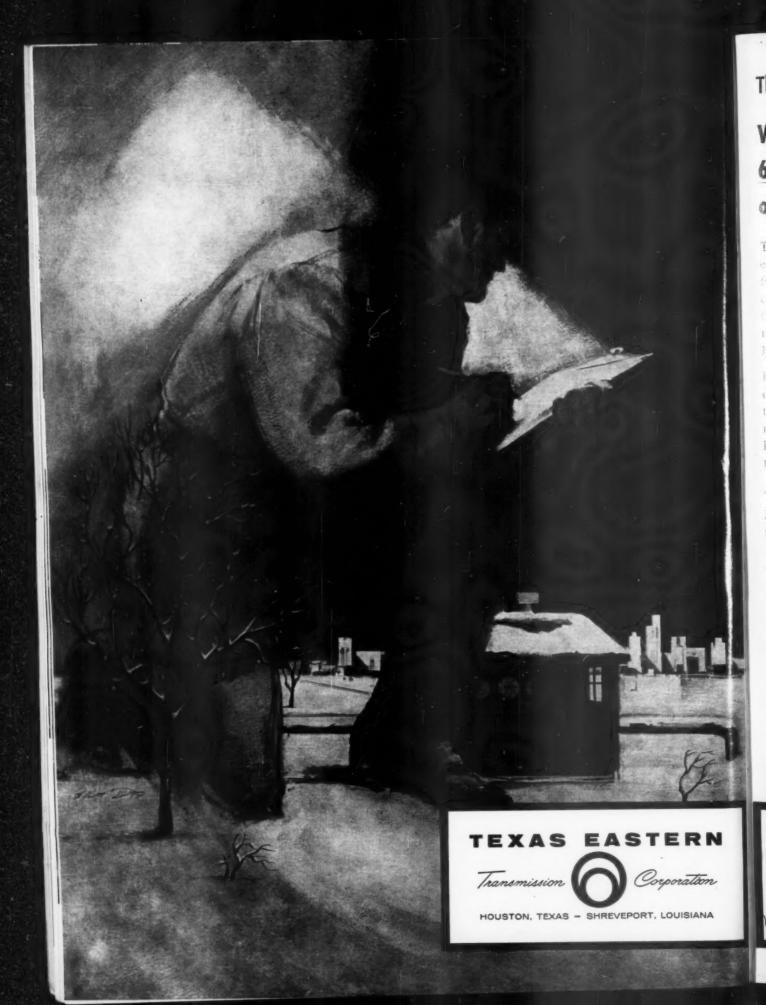
waviness or channelization, even under 150-ton jet airliner weights. And concrete withstands the heat of jet blasts, and the action of spilled fuel, as no other pavement can.

Concrete is the high-safety pavement — pilots themselves will tell you this. It is light-colored for maximum visibility. Its grainy surface means dependable skid resistance and better braking. Concrete creates no dragging action on take-offs.

These material and engineering advantages that make modern concrete ideal for airports make it unexcelled too, for highways of every class. Mile after mile of concrete across the country proves it can do the job better—and do it for less money in the long run!

PORTLAND CEMENT ASSOCIATION

A national organization to improve and extend the uses of concrete



This, too, is Texas Eastern

We're delivering over 600 billion cubic feet of natural gas yearly

That's the annual rate at which clean, economical natural gas—the ideal fuel—is flowing to Texas Eastern austomers... the utility companies that supply homes and factories in the Midwestern, Appalachian and Lastern Seaboard states.

In just 12 years, our average daily delivery capacity has increased more than twelvefold. Today, the 6,100-mile Texas Eastern natural gas pipeline network can deliver more than two billion cubic feet of gas daily!

And the demand is growing!

More and more homes are selecting natural gas for heating, refrigeration, incineration, water heating, clothes drying, air conditioning and cooking. Industry, too, is steadily finding new uses for this fuel.

In every direction, the outlook grows steadily brighter for this natural resource — and for Texas Eastern to increase its service as a supplier of heat and energy to the nation.

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then clamped into position and welded similarly into a complete barrrel assembly.

• Domes—Each tank barrel has to have a tank dome fixture at each end. These require some interesting fabrication techniques. Neither spinning nor forming equipment was accurate enough. And because close-tolerance aluminum alloy sheets weren't made large enough for a dome 10 ft. across and 4 ft. deep, it was necessary to build the domes of welded "orange peel" sections—at first seven sections, now only five.

The two tank domes are welded to the barrel on an automatic rotating fixture. Each circumferential weld is made in one continuous operation.

• Finishing Up—Now the tank is assembled, but that is not the end. First it goes to the hydrostatic test fixture, where water is used to calibrate the volume. Next comes the cleaning tank, where an automatic spray system of 84 nozzles cleans, rinses, and deoxidizes the metal, inside and out. A protective coating is applied, also inside and out. Hot air blasts dry the tank, and it is further purged and dried with nitrogen, and sealed up.

Then comes the windup. The completed tanks, engine fairings, betweentanks structure, and transition pieces for each stage of the missile are positioned in a splice fixture for final assembly. All the electronics, plumbing, and so on, also go aboard. When completed, the Titan is now 100 ft. tall, against an earlier announced height of 90 ft.; the extra length comes from a new re-entry package.

IV. Test After Test

It's when the Titan is completely assembled that things really start humming. The testing process has many stages, which carry the missile all the way from Denver to Cape Canaveral.

To insure compatibility, and increase the reliability of all phases of the production and test programs, test equipment is identical in all areas—on the assembly floor at the factory, in the vertical test cells, in the static test stands at Martin Denver, in the flight stands at Cape Canaveral. Equipment will also be the same at the seven Titan operating bases to be set up—two at Lowry Air Force Base, Denver, one each at Mountain Home, Idaho; Rapid City, S. D.; Moses Lake, Wash.; Marysville, Calif.; and Vandenberg Air Force Base in California.

• First Tests—First the missile goes to the Vertical Test Facility—high as a 13story building, with four production test cells and five engineering cells. Each cell has six fixed working levels, on which are located all the necessary test tooling. The two stages of the

missile are crected in tandem; and though they are not joined, complete marriage system checks are carried out. There are checks on controls, guidance, telemetry, interference, everything—actually, a complete countdown simulating firing and flight.

The missile gets a heavy workout. It's pressurized to bursting point. The outside is heated to 600F, the inside simultaneously cooled to minus 300F. Hydraulic forces of 300,000 lb, are applied to the engine compartment.

• Toward Flight—Second stage of postfactory testing is at the static test stands. The difference here is that the engines are actually run, rather than simulated. Once again, the two stages are erected separately in the 104-ft. high erector; but now they are tied together so that sequential firing of the two stages is simulated. The static tests simulate flight, except that the missile is not released.

Then the Titan is on its way. It's covered, taken to nearby Lowry base, and flown to Cape Canaveral for further testing. Possibly a score of Titans have taken that test route.

V. Final Hurdle

Although Martin does not have a production contract yet, it is producing operational missiles. The present contract covers initial missiles for testing and some for the first operational use. Some time next year, Martin will deliver the first operational Titan to Vandenberg Air Force Base, where it will be fired as an operational weapon using operational ground support equipment and standard operational procedures.

But before Titan becomes operational, it has one final test hurdle to get over. Titan made its first flight on Feb. 6, this year, but only the first stage was fired in that test. The snag now is in firing in space the Titan's second stage sustainer engine. Unlike the rival Atlas ICBM, in which the second stage is ignited at take-off, the Titan's second stage is supposed to ignite in midair. And this has not yet been done successfully in actual flight, though it has been tried out in environmental conditions on the ground.

When the second stage ignition was tried on Titan's fourth flight, it ran into trouble. During efforts to iron this out on the test stands at Martin Denver, an explosion wiped out the test stand, bringing three months' delay. A new trial was scheduled at Canaveral in August, but trouble developed from another cause before the missile got off the ground, and the test stand was again ruined.

Martin is now confident, however, that it will have a successful second-stage firing sometime this month. END

Packaging Ingenuity with Ingenious Polyethylene

Hailed as the most important packaging discovery since the paper bag, polyethylene has opened an incredible new world of packaging applications.

Now, packaging experts seldom ask what polyethylene can do. Instead they ask: 'What next, polyethylene?'

Here's part of the answer:

Crystal-clear or opaque . . liquidtight or porous . . minute or magnificent . . . printed or plain . . . but always inexpensive . . . polyethylene solves the most diverse and exacting packaging demands.

Look at these examples of polyethylene's amazing adaptability:

 Mail Bag. Pioneer Hi-Bred Corn Co., Des Moines, Iowa, utilizes a polyethylene utility bag, beautifully printed in four colors, as a direct mail piece.

Bemis Bro. Bag Co., Terre Haute, Ind., manufactures the Pioneer bag. Bemis considers it the finest example of flexographic printing they have seen.

Pioneer's customers seem to agree. Many have asked Pioneer for extra bags in order that they might frame them.

• Slip Cover. Strong, crystal-clear polyethylene bags now give women's slips marketed by Stones wear[®], Greenville, S. C., both protection and extra display impact.

Manufactured by Package Products Co., Charlotte, N. C., these polyethylene bags can withstand rough handling and have long shelf life.

• Around the Blocks. Switching to a sparkling polyethylene bag for their alphabet blocks spelled out a 100% sales increase for the Halsam Products Company, Chicago, Ill.

The Halsam bag is manufactured by Chase Bag Co., New York, N. Y. And it incorporates two new packaging features: A double drawcord and a side weld seam.



A unique direct mail piece, this beautifully printed polyethylene bag is used by Pioneer Hi-Bred Corn Company for continuous brand identification. As testimony to the consumer acceptance of this polyethylene bag, several people have contacted Pioneer requesting additional bags for framing or school use.



Protection and extra display impact are the major advantages Stones wear® slips gain from being packaged in strong, transparent polyethylene.

Another practical packaging idea Chase recently conceived is a polyethylene "header" for Alabama Flour Mills flour sacks. Designed as a Halloween promotion, this "header" was slipped over the flour sacks in early October, and easily removed after Halloween.

• Quiz Kids. Because of the boundless possibilities of polyethylene for



Sales increased 100% for Halsam Alphabet Blocks when they were packaged in this double drawcord polyethylene bag with side-weld seam.

packaging, many manufacturers want information on its application to their requirements.

As a result, The National Flexible Packaging Association (N.F.P.A.) has assumed the responsibility of answering these queries.

Spencer Chemical Company*, Kansas City, Mo., is an associate member of N.F.P.A. And Spencer will be happy to show you how you might benefit from polyethylene. For information, contact Spencer Chemical Company at the address below.

"Spencer Chemical Company manufactures "Poly-Eth" Polyethylene, from which polyethylene packages are made, "Poly-Pro" Poly-propylene and Spencer Nylon. "Poly-Eth" and "Poly-Pro" are trademarks of Spencer Chemical Company.

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CO₂ • Cylinder Ammonia • Nitric Acid •
Uranium Dioxide • "Mr. N" Ammonium
Nitrate Fertilizer • SPENSOL GREEEN,
ANA-GREEEN and URA-GREEEN Nitrogen
Solutions • Argon • SPEN-AMM Anhydrour
Ammonia • Spencer Urea Fertilizer.



A rainbow of visual excitement, these polyethylene pennants are manufactured by Joanna Western Mills, Chicago, Ill. The pennants are available in six, slow-fade colors. And they're durable as well as colorful because they're made of Spencer Chemical Company's "Poly-Eth" Polyethylene. For prices and other information, contact the Pratt Poster Company, Indianapolis, Indiana.

In Production



Giant Dome Gets Lift Off Ground By Blowing Up Huge Balloon Inside

Erecting this giant geodesic dome was literally—just as it looks—a mere matter of blowing up a huge balloon.

The hemispheric dome, 380 ft. across at the bottom and 120 ft. in height, just completed last week, will house the Union Tank Car Co.'s Wood River, Ill., maintenance and car-rebuilding facilities.

Graver Tank & Mfg. Co., the division of Union Tank doing the actual erecting, selected the pneumatic lifting technique because of its economy. The Wood River dome will cost less than the \$10 per sq. ft. it cost Union Tank to erect a similar dome near Baton Rouge.

To start off, a temporary scaffold was set up and the first 200-odd thin-skinned hexagonal steel panels making up the dome were welded together. The scaffold was then removed. The nylon balloon slipped under this 125-ft.-diameter beginning section, then pumped up enough to float the dome a few feet off the ground. Additional panels were then welded around the edge and the lifting operation repeated.

New Electronic Control for Welding Makes Fast Machines More Accurate

An electronic control that promises to improve substantially the reliability and consistency of resistance welders is being marketed by the Budd Co., Philadelphia manufacturer of automotive and railroad equipment.

The Budd Monautronic V-2 feedback spotwelding

The Budd Monautronic V-2 feedback spotwelding control has been designed specifically for rugged, assembly-line types of operations. Budd has already installed it on 13 welders in its own shops.

Monautronic control operates by measuring the voltage of current across the face of each weld. It compares this voltage with a "command" voltage previously programed,

and automatically makes corrections. The command voltage, of course, has been related to the temperature required for the type of weld being made.

If the control senses that it cannot make a good weld—because of faulty materials or other reasons—it halts the operation so the operator can correct the fault.

The controls are being manufactured by the company's recently acquired Budd-Lewyt Electronics, Inc., Long Island City, N. Y. Price of the basic Monautronic control is \$3.485.

Computer Speeds Navy Supply Job

A Burroughs 220 computer took over inventory control at the Norfolk, Va., Naval Supply Center this week. In addition to speeding up the center's paper work, the Burroughs computer will have an unusual interrogation system that is expected to make life easier for Navy ships that need replacement parts in a hurry.

Normally, a ship in port, another Navy base or supply depot may have to wait several days just to find that an item is out of stock.

With the new system, six telephones in the computer room will be ready to receive queries from units in need of inventory items. The telephone operator passes the stock number of the needed item to a key punch operator who flips a switch and punches the number and a query into paper tape. The Burroughs 220, in addition to its normal control work, has a special unit that continually interrogates this switch. Whenever the switch is on, the computer program is interrupted so the query can go through a tape reader and into the computer. In an average of eight seconds, the computer tells the operator whether the item is in stock.

Helium Plant Doubles U.S. Capacity

The Bureau of Mines' new helium extraction plant, formally dedicated last month at Keyes, Okla., effectively doubles U.S. helium capacity. The plant, erected in a record nine months, cost close to \$15-million. It will process 70-million cu. ft. of natural gas daily.

Helium content of the gas is expected to average about 2%, so the actual recovery of the lighter-than-air gas will be about 30-million cu. ft. monthly. This is approximately equal to the capacity of the U.S.' four other plants combined.

New Computer Language Approved

Final recommendations for a common computer language were completed last week by a committee of government, user, and computer manufacturer representatives. The common language will eventually permit users of different data-processing systems to program their computer with the same language, made up of English words. This will require writing COBOL—for Common Business-Oriented Language—compilers for each type of computer system. COBOL is a project originated by the Defense Dept. last May.

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BUSINESS ABROAD

New Owners May Mean New VWs



DR. HEINZ NORDHOFF has put the blue and white VW sign atop the new 14-story headquarters in Wolfsburg—and in almost every corner of the world.

Volkswagen's private stockholders could change the picture. Company may widen its line to bigger—or smaller—cars.

In the nearly a dozen years since it rose out of a war-ruined, divided Germany, Volkswagenwerke GmbH has been a company without an owner.

As the record shows, that has proven

As the record shows, that has proven to be one of VW's main assets. With a free hand, Dr. Heinz Nordhoff (cover and pictures)—prewar General Motors Opel executive and garage handyman after Hitler's defeat—has built the West German company into the largest motor vehicle producer outside the U.S. It is behind Daimler-Benz (BW—Nov.21'59, p135) in sales, but way ahead in production.

This year VW's total output will hit 670,000 units. Next year it will rise to 750,000. Already one of every three cars in prosperous West Germany is a VW. The beetle-shaped VW, originally designed under Hitler's Third Reich, is truly living up to its name as a "people's car"—with sales reaching out to almost every country (Communist included) in the world.

 Need to Grow-Even with a product so successful as the VW-a car that might be called a modern Model T the company today faces a challenge. It must continue to grow, or else fall behind in the hotly competitive world vehicle market. It also must learn to live in a new atmosphere of ownership, with its management responsible to private stockholders.

Volkswagen literally has had no owner. In theory, managing director Nordhoff has reported to trustees and a board of directors. But in practice, he has been his own boss. The Bonn government, technically the overseer of VW, has staved to one side.

That situation is about to change. Next year, 60% of VW stock will be sold to the public; the remainder will be left in government hands. As a result, the days of one-man rule and freedom to plow all earnings back into the company will come to an end.

Since 1948, VW's capital investment—wholly out of earnings—probably has exceeded that of any other German auto producer. It has been the key to the company's rapid growth from 1951 sales of \$115-million to last year's \$577million. (Total revenue, including a tax windfall, came to \$612-million.)

• Financing—With government and public shareholders looking over Nordhoff's shoulder, VW next year may not have so easy a time dipping into earnings for expansion. Yet expansion can't slow up—for three reasons.

Despite an annual capacity of around 600,000 passenger cars, there's a waiting list for VWs everywhere (except in West Berlin where cars are made readily available to taunt Communist East Ber-



WORKERS (above) at Wolfsburg plant earn high wages-75¢ an hour-and their car ownership is highest of any German group.

DOUBLE-DECK FLAT CARS in rail yard get autos directly from final assembly. The cars are driven up a ramp, then down tracks to flatcars.





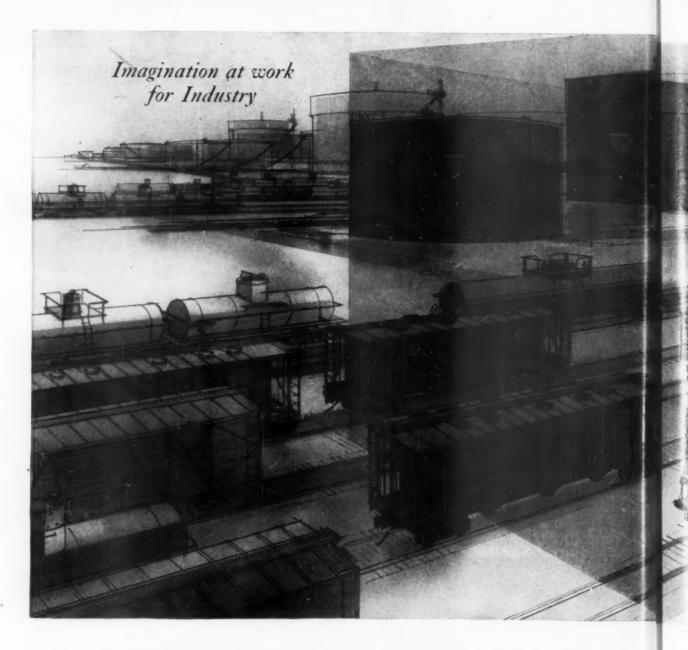
MODERN METHODS such as these conveyors are mixed in Volkswagen plant with extensive handwork.

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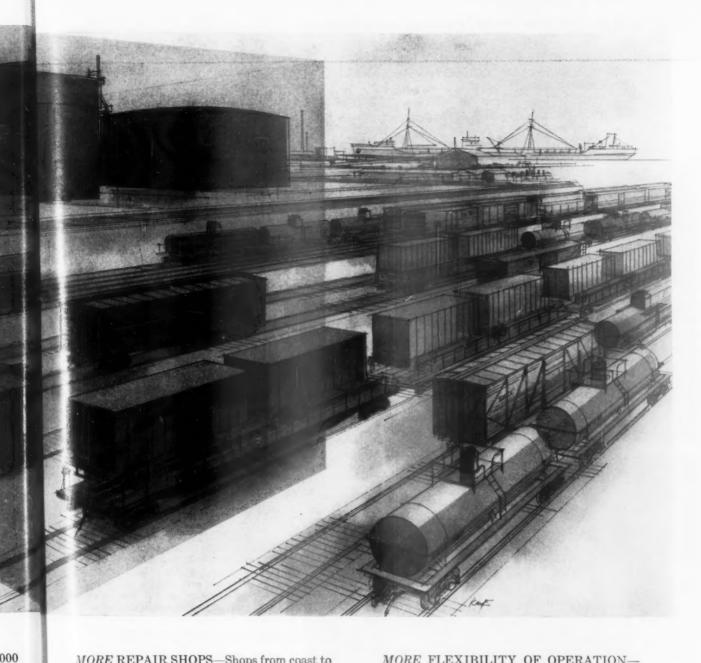




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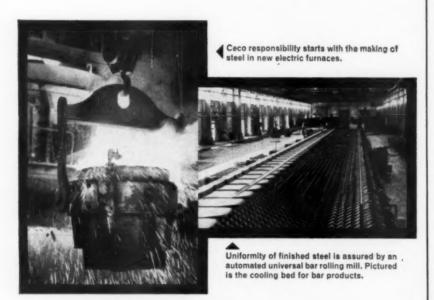
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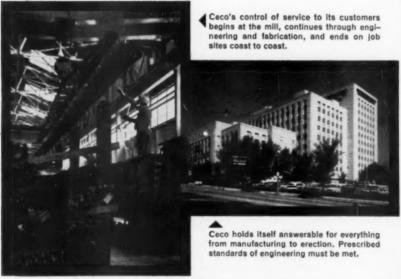
135 South LaSalle Street, Chicago 90, Illinois CORPORATION

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TOTAL MANUFACTURING FOR THE BUILDING INDUSTRY FROM RAW TO FINISHED PRODUCTS

liners). Beyond that, the company must boost its 150,000-unit capacity for commercial vehicles—buses, trucks, station wagons—which are now its hottest products, particularly in the U.S.

test products, particularly in the U.S. Finally, VW is coming to the conclusion that it should produce more than one type of car.

I. The Customers Upgrade

Western Europe's auto market—especially in West Germany where VW sells over 40% of its output—is growing in a pattern reminiscent of the U.S. First is the step-up from motorcycles or motor scooters to small, cheap cars; then to larger, more luxurious cars. VW is king of the bottom echelon, selling motor bike riders their first car. But now it is losing customers as they graduate to Mercedes, Opels, and other "prestige" cars.

This upward shift doesn't worry Nordhoff—at least for the moment. "For everyone upgrading," he says, "there are 10 stepping in from below." But viewing the long pull ahead, he can't—and won't—remain undisturbed.

Buoyed by rising living standards, Western Europe will turn more and more to bigger cars. In addition, VW's price range in Germany-from under \$1,000 to about \$1,300—is crowded with rough competition. Italy's Fiat and France's Renault, lured by Germany's relatively low tariffs, will sell around 100,000 cars this year in VW's home territory.

• A Wide Void—Between VW and the more expensive cars, there's a wide gap in price. Thus, company management is looking closely at possibilities within that broad "medium-priced" bracket. At the same time, management is eving the cheaper-than-VW bracket—to give bike riders a car within reach.

While toying with possible new products, the company in any case isn't likely to junk the present VW car design in the near future. The export market, for one, brings in two-thirds of total income. In the U.S., the largest single market, the VW design has become part of the car's appeal. In other countries, where income is lower and roads poorer, the car's ruggedness and inexpensive upkeep help win sales.

• Up-to-Date—Mechanically, the VW is kept up-to-date. For instance, an improved engine is going into current models, and an automatic clutch will be offered next spring. But because these changes are not fundamental, the workers' familiarity with the car keeps quality high and production costs low. This, combined with the order backlog, is an unbeatable profit maker.

But VW's U.-S.-style market research department isn't ruling out another car to meet growing-and changing-demands. It says that every year the "next



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Volkswagen" is built and tested. At any given time, Nordhoff could give the signal. But the new car would still be perhaps two years and \$70-million away. To see why it would cost so much, even at German wage scales, you need to look at the company's inner workings.

II. Where to Build

VW has four plants in West Germany: Hannover, commercial vehicles and engines; Braunschweig, axles and subassemblies; Kassel, spare parts and reconditioned engines; and Wolfsburg, cars. There also are manufacturing operations in Brazil and Australia, plus plants for assembly of knocked-down imports in other countries. But VW's mainspring is Wolfsburg, a city of 55,000 people where the company has its headquarters—and employs 34,000 workers.

In 1938, when VW started building its plant, the city was only a hamlet of about 500 people. During the war, as many as 11,000 "forced" laborers produced military goods in the plant. When the British occupation force tried to restart plant operations at war's end, over 5,000 Germans and foreigners were living in barracks.

As top boss, Heinz Nordhoff not only had to rebuild the auto plant, he also had to build a city. The company has pumped nearly \$20-million into employee housing and \$2.5-million into public works. In 1958 alone, "social expenditures" totaled \$29.7-million.

• Near Frontier—To make a new car would require construction of a new plant—at a location other than Wolfsburg. Here's why: VW is the only industry around the city. With the East German border only six miles away, no new industry is likely to move in. So every additional worker coaxed to Wolfsburg becomes a social, as well as personal, charge on VW. There's ample land to expand the present plant. But the number of workers that would be needed for a new car would make it logical to produce elsewhere.

As another problem, VW has trouble just closing the gap between supply and demand for its existing car. By yearend, it will have spent about \$380.5-million on plant and equipment since 1948. It is planning new outlays of around \$120-million for 1960. And every pfennig of this investment has come from earnings.

Over the years, VW has set up various reserve funds out of profits. These have helped cover capital expenditures of \$63.7-million in 1958 and about \$125-million this year. Next year's expenditures will almost equal 1959's. Observers, 'scanning VW's 1958 financial report, note that the recent heavy investments are cutting heavily into the money available for future

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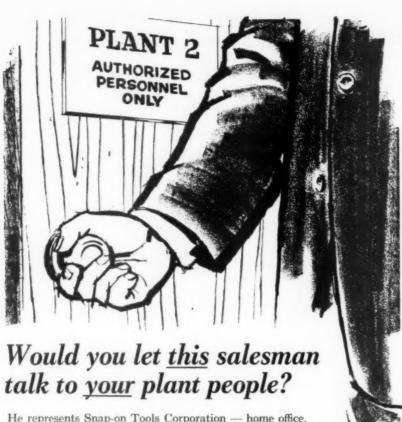
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expansion. Private stockholders will have a claim on part of VW's profits by late next year.

• Bright Signs—Still, by going public, VW should have easier access to insurance and bank money for loans. Besides that, profits probably will shoot up this year. Depreciation also may run as high as \$50-million, and even rise more sharply next year as Germany permits "fast writeoffs" of new plant.

On balance, then, the company would not seem to have any crucial financial worries. In 1948, after three years of military control, it had negligible assets: a 15-year-old car design and a small management team. But by the end of 1958, assets amounted to \$245.5-million. No one has got rich from itmanagement salaries for Nordhoff and others total around \$140,000 annually.

But VW's earnings potential seems so great that for several years it has been obvious that the company would have to change its status—to let private investors get a crack at some of its profits.

III. Unsnarling History

Politics has been the main road block to VW's "privatization"—the term Germans use for the sale of governmentcontrolled companies to private investors.

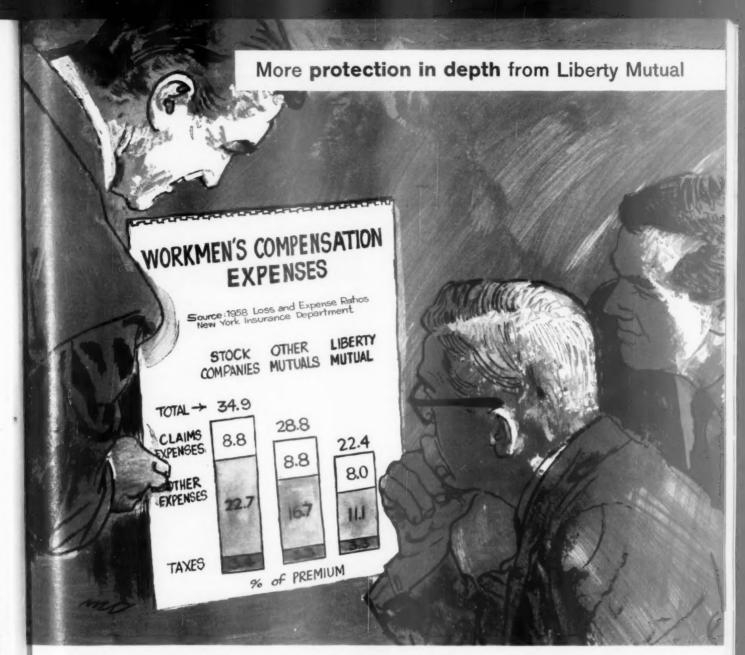
The prewar owner was the Nazi Labor Organization. "Volkswagen," says 61-year-old Nordhoff, "lost its proprietor by unconditional surrender."

A few years ago German courts held that the Bonn government was not the legal heir to the Nazi Labor Organization. Still, Bonn felt it had some claim on the plant. Even so, the two main parties—Chancellor Adenauer's Christian Democrats and the opposition Social Democrats—were split on what to do with VW. The CD wanted a stock sale; the Social Democrats favored "socialization." Beyond that, the State of Lower Saxony where VW headquarters is located put forth a claim to ownership. It has been reaping taxes from VW, and wanted all profits put into an educational fund.

On top of all this, VW feared that in a public stock issue, another company such as Opel or an individual investor might make an attempt to gain complete control.

• Compromise—The final plan, settled over a month ago, is a compromise. VW will be recapitalized at between 500-million and 600-million Deutschemarks, or roughly \$119-million to \$143-million. About \$286-million worth of stock will be issued.

The federal and state governments each will get 20% and retain a controlling interest. The remaining 60% will be sold as widely as possible, per-



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haps with a limit of 10 shares to each buyer. Proceeds from the stock saleand dividends from the government shares as well-will go to the "Volks-wagen Foundation" to finance scientific and cultural education.

None of this makes real provision for the men who built VW. Some of them feel they have a far greater interest in the company's future than any new stockholders. And there's no doubt that out of German pride as much as a desire for personal gain, management has done quite a job putting VW on the map.

A graduate engineer, Nordhoff became an airplane-engine designer before joining GM's Opel in 1930 as head of the Service Dept. He spent time in the U.S. learning GM's production and sales methods, ran Opel's factory racing team, and early in the war represented Opel in Berlin. After 1942, Nordhoff ran Opel's truck plant (Europe's largest). Because of this, he was banned from the auto industry by the Allies after the war. But in January, 1948, the British commander of the Wolfsburg area put Nordhoff-then working in a friend's garage in Hamburg-in charge of VW.

• Veterans-Nordhoff has surrounded himself with men of equal seasoning. His executive vice-president and financial officer is Oskar W. Jensen, formerly Opel's financial chief. Wilhelm Steinmeyer, the equivalent of a U.S. vice-president for manufacturing, has a production background ranging from heavy machinery to trucks. Most of the top men worked prewar for either Opel or Auto Union (DKW cars). Some worked at auto companies in the U.S., then moved to VW when Dr. Ferdinand Porsche, developer of the VW car, toured the U.S. in 1937 to recruit management.

This U.S. experience in top echelons helps give an American-style look and feel to VW's operations. From the U.S.-made stamping presses to the company's emphasis on dealer-service facilities, VW seems like a Detroit-type auto producer.

Nordhoff himself even likes seeing VW in a sales battle with Detroit. have always been afraid not to have real competition," he says. Now VW is getting all kinds of competition—from new compact cars here, from Fiats and Renaults inside Germany. Realistically, Nordhoff thinks that within two years, VW will hit a ceiling in its U.S. salesat a level around 20% higher than this year's sales.

Nordhoff says he has no fears that VW's stock issue will crimp any company plans. And you get an inkling of those plans from his estimate of the German market: "People want to show off their prosperity, and can afford better transportation." END



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In Business Abroad

U. S. Companies to Build Steel Mill In Turkey If Capital Can Be Raised

If financing can be arranged, three U.S. companies will start building the first stage of an integrated steel

mill for the government of Turkey.

Last week, Westinghouse Electric International Co., Koppers Co., and Blaw-Knox Co. signed a letter of intent with the Turkish government. But financial details haven't progressed far—and it will be several months before a contract is signed and construction begins.

Total cost of this first phase will be \$185-million, of which \$41-million will come from Turkish sources. For the remainder, the Turkish government says it will encourage large-scale participation by U.S. private capital. Chase International Investment Corp., a subsidiary of Chase Manhattan Bank, is considering putting up some capital, as are the three companies involved in the negotiations.

Both Ankara and the U.S. companies are hoping for assistance from U.S. government agencies. The Development Loan Fund says it has been approached informally but hasn't received a prospectus. The Export-Import Bank is keeping hands off for the moment, refers

to the proposition as a DLF project.

When the three stages are finished, the mill will have an annual capacity of 1-million tons of flat and structural products. Turkey has one other steel mill but the new mill will be the first to turn out flat-rolled products.

Coal Will Play Diminishing Role In Supplying West Europe's Power

European experts studying future energy needs see 'little hope of relief from the coal glut that is affecting all

of Western Europe (BW-Nov.7'59,p128).

In a new study, they foresee power demand in 1975 up 70% over 1955. But only 35%-40% will be generated in coal-fired plants, compared with 58% now. Oil will provide 30%-40% of power, up from 25%. Waterpower and natural gas will make slight advances, and nuclear power will have just started to play a noticeable part.

India Seeks Foreign Private Investors To Develop Its Oil Resources

India last week moved again to attract more foreign investment. It published new exploration and mining regulations, making licenses available for four years instead of one year. It also simplified the process for applying for oil concessions.

The decision to allow foreign private investment marks a change of heart by India. Exploitation of oil resources

has been controlled largely by the Indian government. To free capital for other expenditures, such as education, the government now will permit and encourage private capital to develop an oil industry. The shift follows a recommendation made by a New York economic consultant, Walter J. Levy, who was invited to India to study the oil situation. The Indian government made his views public last August.

Whether U.S. companies will take the Indians up on the offer remains to be seen. Observers say it depends on the details of any arrangement, many of which

are negotiable with each applicant.

Monsanto Negotiating for New Subsidiary As Spain Opens Door to Foreign Investors

Spain this week indicated it wants to edge further out of economic isolation (BW-Jun.20'59,p148). Government officials announced the first major foreign investment since legislation permitting this was voted last July. They disclosed that Monsanto Chemical Co. and a Spanish company will establish a joint subsidiary.

Monsanto, however, says comment on details would be premature. It is negotiating the project but financing, location, and product line are not yet settled. Monsanto already holds minority interest in another Spanish

company

In another action, Spain agreed to import electric power, ticing its power system into France, Italy, and other West European nations. This will permit Spain to rely on more regular power supplies—the country is handicapped by irregular rainfall and consequently uneven generation of hydro-electric power.

Red Chinese Claim New Progress In Steelmaking and Electronics

Two more claims of Communist Chinese industrial progress seeped through the Bamboo Curtain this week.

Paotow, an obscure trading post for leather, furs, and grain on the Inner Mongolian steppe, has become a steel-producing center. Located near iron and coal deposits and the Yellow River, the plant is reported to include oxygen steelmaking processes, a modern central laboratory to analyze products, and a machinery shop to handle repairs and supply metallurgical equipment.

The first cast of pig iron recently flowed from a blast furnace, which the Chinese claim has a capacity of 2,500 tons a day. U. S. steel observers say this would be equal to the daily output of the biggest and most efficient blast furnaces here, and that the Chinese claims are doubtful. The Russians, however, are known to perform at this level and may have helped build the plant.

A second report claims that Red China is now turning out electronic computers, telephone exchanges, and television transmitters and receivers. It also says radio output is up 25% over last year. The Red Chinese note that facilities for producing these items were set up with assistance from Soviet Russia and East Germany.



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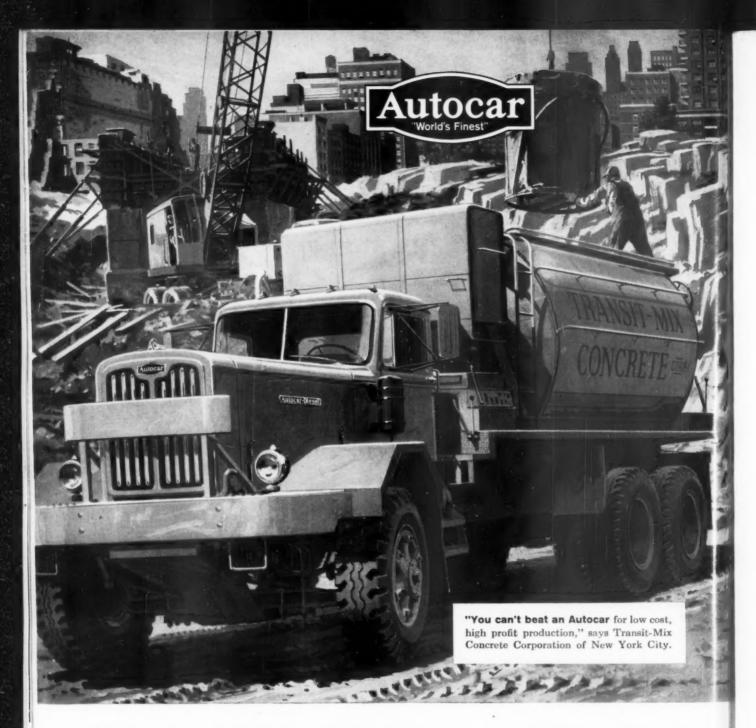
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INTERNATIONAL OUTLOOK

BUSINESS WEEK DEC. 5, 1959



Pres. Eisenhower-off on a 19-day, 11-nation tour-hopes to clarify U.S. foreign policy to both Allies and neutral countries.

The trip won't be just a series of goodwill gestures. The new round of personal diplomacy has two broad aims.

Eisenhower wants to reassure our Allies that we won't weaken our stand against Soviet pressures. This will be a followup to the warmer East-West atmosphere that emerged from Soviet Premier Khrushchev's visit here.

Eisenhower also wants to reaffirm Washington's readiness to continue sizable economic aid-in talks with neutral statesmen such as India's Prime Minister Nehru. That's because of fears abroad of possible cutbacks in our foreign aid program.

India will be one of Eisenhower's main targets. He will tell Nehrutactfully—that we will provide any military assistance necessary to bolster India's frontiers against the Communist Chinese.

Peking's military probing now is reaching into Nepal. The situation there may be ripe for a Chinese-inspired revolt. That's why Nehru has announced a "defense guarantee" for neighboring Nepal.

If Delhi-Peking relations are deteriorating as fast as some London observers believe, Eisenhower's private promises of military aid may be welcome.

Khrushchev may visit India close behind Eisenhower. He would make a stopover on a longer trip to Indonesia.

Any Khrushchev visit to India and Indonesia would signal Moscow's dissatisfaction with Peking's troublemaking in South and Southeast Asia. Moscow clearly has not supported Peking's moves against India.

Beyond that, Khrushchev undoubtedly would be trying to offset the impact of Eisenhower's visit by stopping in India.

Eisenhower's decision to ask Congress for a hike in foreign aid next year should strengthen his hand while on tour.

The Administration will request \$4.1-billion in military and economic aid. That's \$200-million more than it asked for this year. Main increase will be on the military side, in line with the Draper Committee's recommendations.

The aid request represents a victory for the State Dept. Treasury and the Budget Bureau have favored a \$3.2-billion figure-about equal to the amount actually appropriated this year.

But the victory may be short-lived. The continuing deficit in our balance of payments-for one thing-will increase Congressional pressure to cut foreign-aid appropriations.

U.S. may act as go-between to help Western Europe resolve the serious rift between the Common Market and European Free Trade Assn. (EFTA). That's the reason for Under Secy. of State Dillon's exploratory talks in European capitals next week.

Washington has supported the six-nation Common Market-particularly its eventual goal of political integration. So far, it has avoided a 117

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK DEC. 5, 1959 firm position on EFTA, which was formed two weeks ago. Washington now feels that EFTA is likely to increase European trade restrictions rather than open the door to broader free trade.

The U.S. would prefer not to take sides—for or against either trade bloc. But as possible mediator in the Six-and-Seven dispute, we might be able to forestall any potential increase in trade restrictions.

Communist Poland's three-year-old experiment with "liberal" government is coming to an end. Communist boss Gomulka, on orders from Khrushchev, is putting hard-boiled Communists (including former Stalinists) in top posts. He's also putting a damper on the country's relatively free political and cultural life.

Since late 1956, Poland has been the most liberal of the Soviet satellites. Khrushchev crushed Hungary's revolution. But he let Gomulka—installed after the milder Polish uprising—follow a somewhat middle course. Gomulka recently has lost his touch for toeing the Moscow line and, at the same time, allowing some freedom.

Now Poland is likely to cut back its contacts with the West—though Washington is hopeful that the changes won't be too drastic.

Cuba's Premier Castro has struck another blow at business confidence in his "revolutionary" regime. Last week he appointed Maj. Ernesto Guevara, a leftist and anti-U.S. Castro supporter, to run the National Bank.

Castro evidently has few supporters whom he now can trust. He is filling the regime's inner circle with close military friends.

Departure of Dr. Felipe Pazos as National Bank president is the worst slap so far at U.S.-Cuban relations—say Washington officials. Pazos, well-known international economist, was a spokesman for the "moderate" wing of Castro's government.

Washington privately is fed up with Castro. But State lacks any firm alternative to its current policy of sitting tight—and hoping for improvements. Any moves against Castro—for instance, economic sanctions—would only push Cuba farther to the left politically.

Flare-up over the Panama Canal momentarily is cooling off. U. S. trouble-shooter Livingston Merchant, back from talks in Panama, is hopeful. Panama's strong measures against anti-U. S. rioters last week are a good sign.

Real issue is who owns the canal. U.S. claims "jurisdiction" over its operations. Panama claims "sovereignty" over the whole Canal Zone.

Compromise may be in the offing. We might let U.S. and Panamanian flags fly together over the canal—though with solid assurance that we would continue to control traffic.

Even so, new riots could break out. If Eisenhower tours Latin America in mid-1960, Panama is sure to be one stopover. State Dept. is discussing the possibility of such a trip to help smooth our badly ruffled relations with several key Latin countries.



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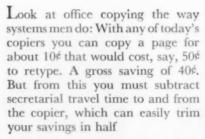
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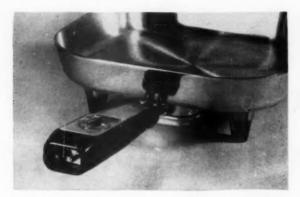


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(b) fit small hands
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4 These smoother-finished metal castings result from:
(a) phenolic-bonded shell molds
(b) phenolic-based coatings
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5 This device to test vision has a molded phenolic case that:
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(b) needs 25% less tooling
(c) requires no coating

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THE MARKETS

Transitron Sets Investors Agog

Next week's offering of 1-million shares in Transitron Electronic has aroused more stir in Wall Street than anything since the Ford Foundation's sale of Ford stock.

The Bakalar brothers who control the company are cashing in only 13% of their holdings—but there's demand for ten times more stock than that.

Such is the excitement that SEC is investigating the possibility of "gun-jumping" publicity and trying to make sure that brokers don't hold back shares for insiders.

Next Tuesday, Dec. 8, unless present plans go awry, Merrill Lynch, Pierce, Fenner & Smith, Inc., and more than 100 underwriting associates will market one of the most talked-of stock issues of the year-1-million shares of Transitron Electronic Corp., representing about 13% of the company's outstanding common.

The price, Wall Street dopesters say, will be \$38 per share. This would imply a market valuation of Transitron at \$285-million. After underwriting costs and commissions, the \$38 price would bring about \$36-million to the two men selling the shares out of their personal holdings-the brothers David and Leo Bakalar, who founded and built Transitron and until this sale held vir-

tually 100% control.

· Rich Returns-The Bakalars started Transitron in the summer of 1952. At the time, David, the president and engineering brain of the outfit, was 27 and fresh out of Massachusetts Institute of Technology with a Ph.D. in physical metallurgy. The brothers set out to explore the potential of a new, untried field-transistors and other semiconductor electronic components. The potential was there, and David and Leo found it. In the fiscal year ended June 27, 1959, Transitron's sales were \$30.9-million; its profits after taxes were \$6.5-million, equivalent to 86¢ a share on the 7.5-million shares outstanding. According to industry sources, Transitron is second only to Texas Instruments, Inc., in over-all sales of semiconductors, No. 1 in certain types of the devices.

If the Transitron shares sell for \$38 in next week's offering, the price-earnings ratio of the issue will be somewhere between 30 to 1 and 38 to 1, depending on the company's fiscal 1960 earnings. This ratio compares with Texas Instruments' present earnings multiplier of 37, General Transistor's 26, Fairchild Camera's 30, and International Rectifier's 28, all based on estimated 1960 earnings. By contrast, 30 seasoned blue chips in the Dow-Jones industrial average can currently be bought for less than 20 times what they are expected to earn in 1960.

• Forecast-Until recently, Transitron was almost unknown outside its own field. But last August a prediction of the impending stock offering-accompanied by a description of the company as one of the hottest in electronicsdid much to ignite public interest. Since then, a tremendous clamor for Transitron stock has developed. It's this demand, of course, that lets the Bakalars hope to sell their stock at a price-earnings ratio well over 30 to 1. Of course, there's always the possi-

bility that a sudden, unexpected deflation in the market for electronic shares could change all this. In such a case, the Bakalars might have to sell their stock at a substantially lower price.

However, BUSINESS WEEK learned this week from the New York Stock Exchange that Transitron officials have been conducting "informal, confidential conversations" with it on the subject of listing the stock. If the shares do go on NYSE, public demand should broaden

even further.

· Sold in Advance-Merrill Lynch filed the required registration statement for the 1-million share sale with the Securities & Exchange Commission on Nov. 6. According to Wall Street insiders, the issue was, in effect, sold out even before this first official step to make the offer public. One broker says news of the sale leaked out in the Boston area-where Transitron's plants are located-through company employees, lawyers, and accountants.

Since the filing of the registration statement, there has been a flurry of publicity about the company. Brokers are calling the Transitron offer "the hottest thing since Ford," in reference to the Ford Foundation's sale of 10.2million Ford Co. shares in January, 1956. Public fever for the Ford shares drove the offering price up to \$64.50; except briefly after the offering, this price was not equaled again until this year, and at one point Ford sold as low as 357. Whether the same will be true of Transitron remains to be seen.

· SEC Curiosity-The excitement over Transitron has attracted SEC's evenaturally enough, since the agency has been campaigning against abuses by underwriters in "hot" stock offerings (BW –Oct.24'59,p148). SEC attorneys have been checking whether advance publicity on Transitron violated any of the commission's rules against "gun-jumping," a pet peeve of Chmn. Edward N. Gadsby. So far, says SEC, there's no sign of any such violation.

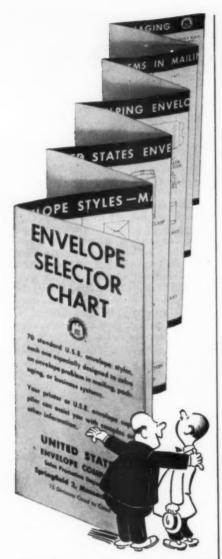
More important, SEC is watching to make sure underwriters don't create artificial demand for Transitron shares by holding back much of the stock for insiders and letting the public scramble for the rest. Such a maneuver might push the stock price far up and enable the insiders to profit bounteously. (In one "hot stock" case uncovered by SEC, one broker sold insiders 75% of the shares allotted to him; in another case, 50% were withheld from the

· Precautions-Insider free-riding of this sort is not likely in the Transitron offering, if only because of the character of the underwriting houses behind it. Merrill Lynch, which will sell 150,-000 of the 1-million shares, has a rigidly enforced set of rules to prevent employees or officers from taking any stock for themselves in a hot offering. Other houses in the syndicate have similar regulations.

Besides, SEC has served informal notice that it intends to send out a questionnaire after the Transitron issue has been sold, requiring a complete report on stock sales to directors, officers, employees, or agents of the underwrit-ing houses involved. "God help anyone who turns up on that list," says an

official of one of them.

Disappointments—Transitron Past itself isn't talking officially to anyone about anything-in an effort to avoid infringing SEC publicity rules. But it's reportedly unhappy about the interest in its shares, even though every \$1 increase in the offering price means almost \$1-million more for the Bakalars. The brothers-and the underwriters-are aware that some earlier issues of hot stocks, offered at high price-earnings



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ratios, have failed to live up to investors' expectations.

The list of disappointments includes some illustrious names in U.S. business. In addition to Ford, for example, there is the Great Atlantic & Pacific Tea Co., whose stock came on the public market in quantity for the first time last spring. It was snapped up at \$44.50; today it sells for about \$37. Upjohn, in an offering more than twice as big as Transitron's, bowed at \$45 just about a year ago; at present, the price is virtually unchanged. And Universal Oil Products, which appeared last winter at \$25, can now be had for about \$20—thus providing some smart-money boys with a convenient tax loss.

Needless to say, neither the company nor the underwriters want this to happen to Transitron. Initially, at least, the stock will almost certainly trade at a premium over the offering price, whatever it turns out to be. One of the biggest over-the-counter houses expecting to make a market—or trade—in Transitron says it's betting that the first sale will be 15% over the offering

• Notes of Caution—But over the longer pull, some cooler financial heads are saying it may be hard for Transitron to maintain this position. One broker, in a house that never participates in underwritings, and thus has no stake in the offer, calls it "foolish" to price Transitron on a par with Texas Instruments. He credits TI with greater depth in research and management personnel—both essential to survival in the bitterly competitive semiconductor business. He adds: "At \$38 per share, I'd be scared to death of Transitron."

Another negative factor at Transitron may be the departure of four key employees last year to set up their own company—Solid State Products, Inc. Though still very small, this outfit has managed to beat Transitron to market with an important new product—a controlled rectifier that can do various switching jobs now performed mechanically or electrically. The quartet struck out on its own mainly because Transitron didn't have a stock option plan for top employees—a lack that has since been remedied, in part because of the forthcoming public sale.

• Where Transitron Shines—On the

• Where Transitron Shines—On the plus side, however, the fact remains that semiconductors are used in practically every type of electronic circuit. They are finding increasingly wide use in computers and other types of large-scale equipment containing an abundance of electronic gear.

Ever since 1948, when transistors were invented at Bell Telephone Laboratories, the problem any company faced has been to develop production techniques quickly, in order to capitalize on high-profit initial sales before

other companies could come in with lower prices. In this area, Transitron has excelled. Even the competition is willing to admit that Transitron has made some "extremely fortunate" market guesses and has devised reliable methods to mass-produce some new products ahead of rivals.

• Worries for Brokers—Bringing Transitron's issue to market presents some annoying problems to brokers and underwriters. On the one hand, there's a seemingly insatiable demand for shares. On the other, there's the SEC's restraining hand—plus the common-sense notion that any stock, no matter how good, becomes expensive at some price.

Not the least problem is how to allocate shares. One underwriter estimates that syndicate members now have "indications of interest" for about 10-million shares—10 times the number available. (No firm orders can be taken until SEC releases the shares for sale.)

Theoretically, an underwriter should sell his shares to customers who have carned a preferred position by giving him the most stock exchange commission business. But, in practice, stocks in hot issues aren't doled out quite so simply. One broker at one of the largest NYSE member firms, whose customers account for gross commissions of more than \$300,000 per year, has been unable to get any stock at all. "Some of my clients," he says, "were mighty disappointed." The reason he lost out was that he held back instead of rushing in with orders when the first rumors of the Transitron offering hit Wall Street.

 Who Can Buy—What actually happens in hot issues, according to many veteran underwriters, is that shares are distributed in several ways:

Partly, it's first come, first served.
Partly, it's how much commission business the purchaser provides.

 Partly, it depends on how much pressure a broker puts on partners or officers of his firm to satisfy his customers' demands.

 Sometimes, it helps if a big investor has in the past been willing to assist an underwriter by buying a block of a slow, hard-to-sell issue.

No matter what the basis for allotting shares, not everybody can be satisfied. "In the scramble for a hot one," says one underwriter, "there are always some good customers that get left out and some feelings that get ruffled."

In the Transitron deal, a lot of big investors will perforce be left out, and many more will get only a fraction of the number of shares they requested. But it's unlikely that a few insiders will manage to snare big chunks of the issue. "Public pressure for this stock is too great," reports one underwriter. "We couldn't hold it back even if there wasn't any SEC." END



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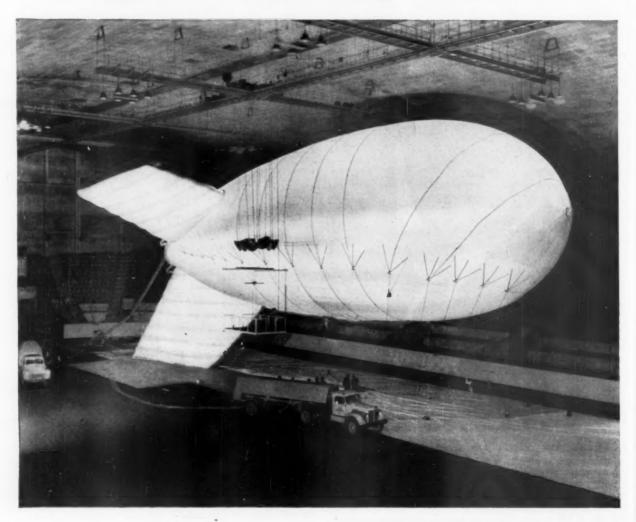


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In the Markets

Stock Prices Move Close to Peak; Blue Chips Back in Favor Again

Stock prices surged upwards this week to within striking distance of the market's all-time high set in August. At midweek, the Dow-Jones industrial average hit 664, only 14 points below its peak. A slight correction followed as traders paused to take profits, but, on the whole, sentiment was more bullish than it has been at any time since the market's big spill four months ago.

Spurring optimistic talk among brokers was the fact that as prices have gone up, market leadership has been shifting away from speculative issues to the blue chips. Walter Mintz, of Shearson, Hammill & Co., notes that new highs for the year have been recorded in recent days by such top quality stocks as Minnesota Mining (168), General Electric (92), and Eastman Kodak (112).

Among the speculative favorites, American Motors went through a series of gyrations on news of its 3-for-1 stock split and 25% increase in the cash dividend rate. Early Tuesday it surged up 5½ points to 92 then fell back sharply on heavy profit-taking. Some brokers say AMC is beginning to lose its glamor. Ford, for example, is expected to earn substantially more next year than AMC, yet is selling at a lower price, and General Motors is scheduling unit production for the first quarter even above its record first quarter in 1955.

Money Market Rates Up Sharply As Demand for Funds Increases

The rising seasonal demands for funds—and business needs stimulated by the resumption of steel production—are pushing money market rates sharply higher, even though dealers say the worst is yet to come. The three-month Treasury bills this week hit a record 4.50% at auction, and promptly traded to even higher yields, while the new six-month and one-year bills traded above 5%—the highest since 1929 for a Treasury issue due in less than a year. The impact was instantaneous:

• Bankers' acceptances and rates on commercial paper of industrial companies were marked up \$\frac{1}{8}\$ of 1 percentage point, to yield as high as \$4\frac{1}{4}\%\$ and \$5\frac{1}{8}\%\$, while finance company paper rates were pegged \$\frac{1}{8}\$ to \$\frac{1}{4}\$ of \$1\%\$ higher—yielding as much as \$5\%\$.

• Rumors ricocheted along Wall Street about a new hike in the Federal Reserve's discount rate, now 4%.

• Investors' demand for dollars in London, plus heavy seasonal commercial demand, pushed the pound sterling below \$2.80 par for the first time in a year.

Meanwhile, bond dealers said the Fed's move to allow a portion of vault cash to be counted as reserves by the banking system (page 48) was more bearish than bullish. They reasoned this way: Country banks will get much of the new reserves. The Fed will buy fewer Treasury bills to supply seasonal bank reserves, while New York and

Chicago banks and dealers will buy more. Normally, corporations buy some Treasury bills, but this time of year they have to use their funds instead to pay taxes and dividends. And the city banks and dealers will take the extra bills only if yields are high enough.

Dealers also are pessimistic about the usually ebullient effect of January re-investment demand from interest and dividend payments, and maturing bonds. They estimate the Treasury next month will have to raise from \$2-billion to \$4-billion cash, roll over about \$2-billion one-year bills, and prepare for \$11.5-billion February refunding at a time when corporations are rapidly building up inventories depleted by the steel strike.

Sonnabend Won't Sell Alleghany Stock But Rules Out Proxy Fight Now

The squabble at Alleghany Corp. between A. M. Sonnabend and Allan P. Kirby—so close to settlement last week—has taken a few more twists.

After the SEC last week stepped into the case to investigate trading in Alleghany common, Kirby shied away from a compromise with Sonnabend, who claims control of 15% of Alleghany's shares and threatened a proxy fight. He wrote to Sonnabend, saying that he "could never be associated" with him, and withdrew his previous offer of a board seat. Kirby also offered to buy the 200,000 of Alleghany common Sonnabend says he owns. In this way, Kirby said, he hoped to make sure his programs would be perpetuated; he now owns 10.8% of Alleghany common and 9.8% of the 6% convertible preferred.

Scnnabend did not reply to Kirby's offer. But he then said he "was not and is not" prepared now or in the foreseeable future to conduct a proxy contest. He said he "presently" intends to hold his Alleghany stock for investment.

The Markets Briefs

SEC's probe continues into the gyrations of Curtiss-Wright Corp. common stock. Last week, Curtiss-Wright showed off a lightweight internal combustion engine with only two moving parts (BW-Nov.28'59,p38). The event touched off a 7-point rise in its stock to \$40.75 in two days. Then, the company announced a reduction in its dividend from 62½¢ to 37½¢ "to conserve cash," and the stock was suspended from trading under the pressure of sell orders.

Hilton and Hovey Slayton of St. Louis, who controlled Managed Funds, a \$70-million mutual fund group, until they were forced out last spring, were hit last week with an SEC lawsuit that seeks to bar them permanently from the fund business. The Slaytons, SEC alleges, were guilty of "gross misconduct and abuse of trust" in the way they handled Managed Funds' affairs.

Wellington Management Co., adviser to the \$990-million Wellington Fund, is selling stock to the public. It plans to sell 450,000 shares of its Class A non-voting common stock.

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GOVERNMENT

Tax Hunt Gets Into the Rough

- Congress' effort to find more taxable income runs into unexpected pleas for larger rather than smaller depreciation allowances, to help industry modernize.
- And lively clashes develop over oil and mining depletion allowances, state and local bond exemptions.
- But none of testimony at continuing Ways & Means Committee hearings raises any likelihood of law changes.

The hunt of the House Ways & Means Committee for new ways to tax non-taxed income ran into some unexpectedly rough going this week.

A panel discussion on depreciation allowances—which now take some \$4-billion out of taxable income—developed a surprisingly strong case for even more liberal deductions. And committee members showed signs of wanting to go along.

Two other panels—one devoted to percentage depletion granted oil, gas, and mining operations and the other to the exemption of interest on state and municipal bonds—lived up to advance notices. They resulted in lively clashes, but failed to raise the possibility of immediate policy changes.

Here's what hearings under committee Chmn. Wilbur Mills (D-Ark.) developed:

 Depletion allowances withstood a vigorous assault by some panel members, with no sign that the majority of the committee wants any basic change.

• The tax exempt status of income from state and municipal bonds was subjected to heavy fire, and key committee members showed by their questions that they are unhappy with the situation. But panelists warned of possible legal and financial turmoil if the exemption is removed, and a showdown may be indefinitely postponed.

• Most of the panelists called by the committee to discuss depreciation vigorously attacked the present system as overly restrictive and a brake on plant modernization and expansion. Despite improvements in the 1954 Revenue Act, the system still is based on policies adopted during the Depression; these policies, the witnesses argued, place U.S. industry at a disadvantage in today's struggle for world trade.

I. Depreciation

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The 16th Amendment to the Constitution seems simple enough. It empowers Congress to levy a tax on income

"from whatever source derived." But the question of what constitutes income and what is merely a return of original capital harasses lawmakers every time they look at business taxes. This question is the heart of the long and bitter controversy over both depreciation and depletion.

In an effort to keep the income tax from becoming in reality a levy on capital, sums invested in plant, equipment, and other assets are deducted from gross income. In the U.S. system, these deductions are spread over the estimated useful life of the asset up to the point where the original cost has been recovered.

• Onslaught-Critics of this systemand they dominated the panel discussion-contend that outmoded concepts of "useful life" and "original cost" are dangerously holding back modernization and expansion of industry.

Joel Barlow, Washington, D. C., tax attorney, told the committee the U. S. is now the most backward among all industrial nations in its depreciation policy, and is allowing competitors abroad to make great strides in production and trade while this country clings to outmoded tax ideas.

Other panelists stressed the same point, particularly George H. Kitendaugh of General Electric; Maurice E. Peloubet, New York accountant; George Terborgh of the Machinery & Allied Products Institute; James Polk, New York tax attorney; and the Rev. William Hogan, S. J., professor of economics at Fordham University.

The vigor of their onslaught may have caught the committee unprepared. Mills had taken pains to have at least a rough balance of views on the preceding panels, but the case for more liberal depreciation gathered steam during the discussion.

 Behind the Times—Barlow argued that depreciation policy is still dominated by policies the Treasury Dept. adopted during the Depression in an effort to bolster revenue. He pinpointed



GEORGE H. KITENDAUGH of GE says tax policy on depreciation is out of date.

Treasury Decision 4422 and Treasury Bulletin F, listing the suggested useful life for hundreds of items of depreciable property, as the chief factors blocking a modernized system. He said the more liberal deductions allowed in the 1954 Revenue Act helped somewhat, but do not solve the basic problem.

Under the present system, taxpayer A gets permission to write off a piece of machinery in 10 years, while taxpayer B—dealing with another revenue agent—has to take a 25-year or 30-year period for the same kind of machinery, Barlow told the committee. He cited a recent incident in which a revenue agent insisted on a 33½-year write-off for equipment producing advance-type cutting tools—a type of machine that can become obsolete almost overnight.

• More Latitude—Kitendaugh argued that a swiftly accelerating rate of obsolescence is "a new fact of industrial life," and that depreciation policy should be adjusted accordingly. The present system, geared to the concept of long lives for productive equipment, probably made sense in the 1930s when it was evolved, he said; there was very little innovation, and industry was not expanding. But historical experience, he added, is no longer a guide.

Kitendaugh cited predictions that in 10 years, for example, half of the present products of the chemical industry will no longer have any commercial value. Fully 90% of all the inventors and innovators who have ever lived are alive today, he told the committee at one point. His solution is to have Congress rewrite the depreciation section of

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DEFENDERS-Richard J. Gonzales of Humble Oil & Refining Co. (left), and Scott C. Lambert of California Standard led defenders of present oil and gas depletion allowances.

the revenue law to give management greater latitude in setting periods over which assets can be depreciated.

• Updating Costs—William A. Paten, professor of accounting at the University of Michigan, testified that the present system—as a result of inflation—is in effect confiscating capital because it allows taxpayers to deduct only historic cost instead of replacement cost. He would adjust depreciation allowances upward by applying general indexes of building and equipment costs, thus neutralizing the effects of rising prices. Some such procedure as this has long been advocated by steel and other heavy industries.

Father Hogan backed the same solution. Western Europe and Japan now have an industrial plant as efficient as our own, and still have wage levels only one-sixth to one-third those of the U.S., he reminded the committee. "In the past we could compete because our equipment was superior," he said. "This is no longer the case."

• For the Defense—Sidney Davidson, professor of accounting at the University of Chicago, and Robert Eisner, Northwestern University economist, did their best to restrain the panel's rush toward liberalized depreciation.

Davidson did grant that other countries offer investors more generous inducements, with the United Kingdom the most generous of all. An otherwise identical investment is about 10% to 12% more profitable in England than it would be in the U.S. as a result of differences in depreciation allowances, Davidson said. But he thought the existing system in this country should be retained, at least for now.

Eisner opposed liberalized depreciation in any form-either through shorter write-off periods or adjustments to current prices-on the grounds that it would deprive the Treasury of needed revenue and would not provide any particular stimulus to investment or economic growth. He suggested that the committee consider wiping depreciation allowances off the tax books entirely, then use the additional revenue as a basis for cutting the corporation income tax.

II. Depletion

The percentage depletion allowance granted to oil, gas, and mineral producers exempts some \$3-billion a year from the corporate income tax, Ways & Means staff members estimate. But it has won an importance in the running fight over tax policy even greater than the dollars involved would indicate.

Horace M. Gray, professor of economics at the University of Illinois, told the committee that all tax reform efforts will fail unless Congress takes successful action against the depletion allowance, "the most formidable and conspicuous" of special tax privileges.

• Congressional Views—Congressional critics take pretty much this same position, but the Ways & Means Committee includes powerful lawmakers from oil producing states, such as Rep. Frank Ikard (D-Tex.) and Rep. Hale Boggs (D-La.). The committee, moreover, generally reflects the view of House

consistently supports depletion.

Mills' own position is something of an enigma. In recent magazine articles he included depletion—along with depreciation and other deductions—as a subject that needed investigation. This was a surprise to many oilmen, who had thought Mills safely on their side.

Speaker Sam Rayburn (D-Tex.), who

The panel, moreover, included five university professors—two lawyers and three economists—who either vigorously

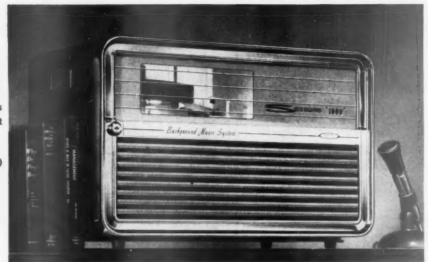
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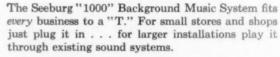
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Q What are the advantages of owning a coin-metered, unattended licensed Westinghouse Laundromat laundry store?

A You are investing in one of the fastest-growing industries in the country and will enjoy a substantial second income. You can net an extra \$5000-\$10,000 of income annually. Because all equipment is cain-metered, customers do-it-themselves and no attendants are necessary. You have no labor problems, or inventories. Many stores operate 24 hours a day, 7 days a week... bringing you profits while you sleep!

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A This is a spare-time business... a few hours each week is ample. Service can be contracted out to an independent Authorized ALD Service man at a modest cost. Laundry stores are ideal for chain operation and/or absentee ownership, and investors like you now own 3, 4 and more stores netting \$5000-\$10,000 yearly per store.

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A ALD has planned over 9500 profitable Laundromat laundry stores throughout the country... successfully owned and operated by doctors, lawyers, teachers, businessmen and white collar workers who enjoy an annual 25%-50% net return. You need no previous experience. Our complete program has proven itself over and over again... will make business sense to you. It includes assistance in locating, store planning, training and promotion. Our staff of 400 field experts gives you continuing help and advice on installation, advertising and management. Prestige Westinghouse Laundromat washers and other balanced equipment provide the nation's finest laundry facilities for your customers.

Q What about tax deductions?

A Accelerated depreciation schedules permit rapid accrual of equity... offer attractive tax deductions. Here is a business that will pay for itself... PLUS.

Q What is the investment?

A It's modest! We will finance up to 90% of your equipment... offer you the longest financing period at lowest terms.



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attacked depletion or asked for a thoroughgoing review of the basic facts. And Mills was the key man in selection of panel members.

• Big Attraction—Oil and the 27.5% depletion rate for that industry dominated the session. The subject drew 17 members of the 24-man committee, and a crowd of spectators that almost filled the large hearing room.

Richard J. Gonzales of Humble Oil & Refining Co, and Scott C. Lambert of Standard Oil Co. of California, led the defenders of oil and gas depletion.

Even panelists who were most critical of depletion agreed with Rep. Boggs that any immediate cut in the allowance would hurt the economy of oil states. Most witnesses wound up agreeing that before the issue could be finally settled, Congress would have to conduct an objective study of the facts.

• Popular—Congressional foes of depletion will not be quieted even if the committee orders a detailed study. The issue is a popular one, particularly among senators from states that produce no oil. Some of those voting this year against any change in the law did so on the grounds that they preferred to wait and see what Ways & Means would do.

III. Tax Exempt Interest

Interest payments on about \$48-billion worth of state and municipal bonds are exempt from taxation under rules first adopted in Congress 46 years ago. The provision costs the Treasury about \$700-million a year in revenue.

The original theory was that taxing such interest would be an unconstitutional encroachment on state and local governments. But key lawmakers feel that the Supreme Court today would probably uphold the right of Congress to say it was taxable income.

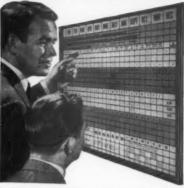
• Antis—In a panel discussion last week, the case for removing the exemption was made most forcefully by Vance N. Kirby, professor of law at Northwestern University. He attacked the exemption as a "shocking violation" of the principle that equal incomes should be taxed equally.

He argued that upper-bracket taxpayers are granted a benefit denied to others. He granted that the exemption reduces interest rates on public works, and probably lowers the cost of such projects about \$400-million a year. But this is an erratic and expensive way of aiding local projects, he said.

way of aiding local projects, he said. James A. Maxwell, professor of economics at Clark University, supported Kirby, as did Harvey Brazer, professor of economics at the University of Michigan. Brazer urged the committee to end interest exemption and substitute a system of direct subsidies.

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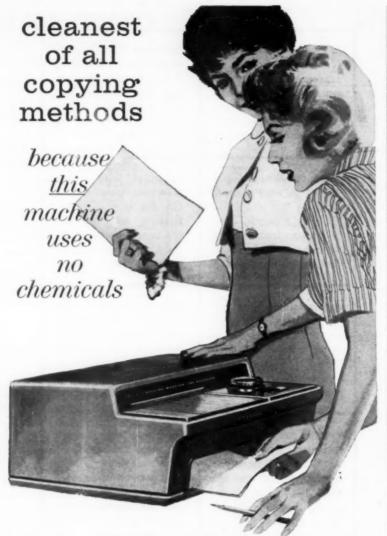
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Washington, D. C., attorney came to the defense of the exemption. The attorney, Northcutt Ely, told the committee he believed the courts would still sustain decisions going back over 65 years of legal history, all saying that Congress could not tax interest

paid by state and local governments.

Harry L. Severson, a New York
financial economist, predicted that "elimination of exemption or even the serious threat of doing so would . . .

result in financial chaos."

Cushman McGee of New York, a specialist in tax exempt bonds, said withdrawal of exemption would create a condition in which some municipali-ties would be "unable to sell their bonds at all."

· Question-Rep. Howard H. Baker (R-Tenn.) and other committee members asked why Congress should exempt state and municipal bond interest on one hand, while taxing interest on federal securities. Baker pointed out that top-rated municipals are vielding around 3% currently, while comparable federal issues are priced to vield 4%. If special tax treatment were withdrawn from state and municipal bonds, he wondered if the Treasury would not have an easier time with its own issues. Brazer agreed.

If the committee decides to do anything at all with the exempt interest issue, further hearings will be held on this subject alone. But it is possible that last week's brush with the problem is as close as the committee will want to come to it for a long time.

IV. Immediate Cut?

While the committee's study was grinding ahead-it will continue almost to the Christmas holidays-a new development spurred interest in the possibility of a personal income tax cut next year.

The U.S. Chamber of Commerce threw its support behind the Baker-Herlong bill, which provides for a gradual cut in personal income tax rates over a five-year period. The top rates would drop from the present 91% to 47%, and the bottom rate from 20% to 15%.

The immediate loss in revenues would be about \$3.5-billion, but backers believe the resulting stimulation to business would soon bring in more revenue than the present rate structure.

The National Assn. of Manufacturers has long backed such a plan; so the two most powerful general business groups in the capital are now working for the same tax program. Rep. A. S. Herlong (D-Fla.) and Rep. Baker, sponsors of the bill, are both members of the Ways & Means Committee, but their plan has never been given a formal, public hearing. END



Imagine doing this every day-yipes!

After a three-evening hassle with Christmas cards, it dawns on tycoonto-be, J. Thrist Upturn, that mailing is a mean, tedious, messy job; and why the girls in his office keep talking up a postage meter!

Up to now, Mr. U (and possibly you?) had metered mail pegged only with big business. The notion couldn't be wronger! Now even the smallest business or office can have all the benefits of metered mail. Among the users of the DM, desk model postage meter, one-third average less than a dollar a day in postage-like it for its convenience.

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PERSONAL BUSINESS

BUSINESS WEEK DEC. 5, 1959

Planning some island-hopping in the West Indies this winter? A tour of Scandinavia next July? A jet flight to Japan?

You won't be alone.



One recent survey shows that foreign travel may increase by 200% by 1969. This, of course, means crowded accommodations and a lot of other irksome problems for the traveler. With trip-planning already fairly complicated, you might consider using a professional travel agent to smooth the way for your next major excursion.

The surprising fact is many higher-income travelers have never thought of consulting a "pro" in this field. They delight in making their own arrangements. But if you locate a reliable, skilled agent-many travel agents are simply ticket-sellers—and are willing to spend something extra, you can get a wide range of valuable services.

Consider the advantages. In addition to booking worldwide transportation and accommodations, a good travel agent will arrange (1) local transportation any place, including rental cars; (2) special personal services such as private guides, nurses for the children, even attendants for pets; (3) side trips and sightseeing tours, and tickets for the theater or sports events; (4) trip and baggage insurance, and traveler's checks (American Express, First National City of New York, Bank of America, and Cook's)-at no extra cost; and (5) travel documents, except where the foreign government requires that you appear in person at its U.S. tourist office.

All this spells convenience, but actually these items aren't the real reason for going to a highly qualified travel agent. You hire him primarily for information—where to go and what to do when you get there. This is the heart of his service.

A real "pro" travels thousands of miles a year—maybe 20,000 or 25,000 miles-to gain experience. If he's good, he'll be able to give you inside tips on everything from the best bars and bistros in Brussels to skindiving off Martinique. If he's really experienced, he-or a member of his staff-has been where you're going. And this is something to check on before you employ him.

As to cost, there's a common misconception that all this is included in the basic cost of the trip. True, a straight transportation booking (say a flight from New York to London) without anything more will cost you nothing extra if you book through an agent-and this usually applies to hotel reservations. The agent gets a standard commission fee of 5% to 10%.

But don't assume that purely "extra" service is free. Generally, if an agent plans and executes your personal, tailormade trip, his added charges will run roughly 10% of your total nontransportation expenses. For instance, suppose you would have spent \$2,000 on hotels, meals, sightseeing, etc. if you made the arrangements yourself. The same trip handled by an agent could cost you \$2,200. In some cases, these charges may go higher.

On the other hand, if you want to cut down a bit on the cost, you might consider a "package" tour. Here you travel entirely on your own, but follow a specific itinerary planned by the agent. Instead of any extra charge. you end up spending maybe 5% to 10% less than if you handled the trip yourself. This means, of course, that the agent has made special arrangements with the airlines, steamship companies, hotels, etc.

Don't scoff at this idea. Some of these packages are de luxe-a 90-day 137

PERSONAL BUSINESS (Continued)

BUSINESS WEEK DEC. 5, 1959 tour of Africa (\$6,480), 45 days in Latin America (\$1,970), and 49 days around-the-world (\$3,170).

Do agents push certain hotels, airlines, and other accommodations? Most do—an added reason for making sure you're dealing with a reliable agent. The sensible way is to inquire among friends who have contacts with travel agents, or you can make a confidential inquiry at a local airline or steamship office where you're known.

Timing: Don't overestimate an agent's ability to handle late bookings. First-class steamship passage should be booked six months ahead; international airlines, six weeks.

Income tax horizon: You'll probably find at least one phase of income tax reporting easier next year. In an effort to jog your memory about taxes which may be due on dividends and interest, many banks, corporations, and others making such payments will let you know (at the request of the Treasury) how much has been paid to you during 1959.

In compliance with reporting requirements, individual dividend payments by companies (over \$10 a year) are reported to IRS, and you may be receiving copies of such reports. Interest, on the other hand, does not have to be reported by banks or other payers unless it exceeds \$600.

The Treasury's collection drive involves voluntary action by payers of dividends and interest. Note: If the response is not satisfactory, mandatory withholding by corporations and others may result.

If you're thinking about a Christmas present for the musician in your family, how about a harpsichord? There's a growing cult of harpsichord players busily reviving the tinkly Elizabethan and Baroque music. Anyone who plays the piano can readily learn to play the harpsichord, a string-plucked instrument which takes up no more room than a baby grand.

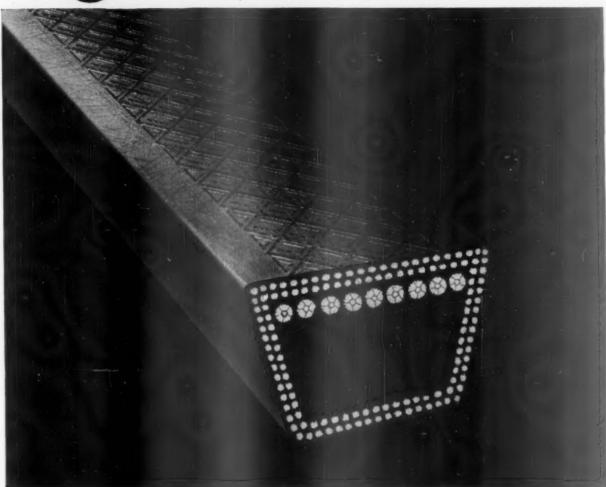
Cost of the instruments—mostly German imports—ranges from about \$475 to \$3,000. There are few antiques around since most were converted to pianos nearly two centuries ago. While they have to be tuned frequently, tuning is simple and most people, of necessity, tune their own.

Main importers of the German instruments are Robert Taylor, 8710 Garfield St., Bethesda, Md. (handling Sperrhake); Magnamusic Distributors Inc., Sharon, Conn., (Neupert); and Robert A. Johnson, 144 S. Commonwealth Ave., Los Angeles (Wittmeyer). In New York, Wallace Zuckerman, 115 Christopher St., New York 14, makes his own.

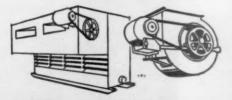
Manners and modes: Offering only imported cars, a New York rental company, Imported Car Rentals, Inc., provides passenger or sports autos, with or without chauffeurs. The company is represented in Denver, Los Angeles, Phoenix, and Tucson . . . The 10th anniversary issue of The Antiques Dealer and a report from France spotlight these art object notes (BW—Apr.11'59,p129): 18th Century French furniture continues to rate high prices, with values of 17th Century French and fine English furniture still rising; 17th and 18th Century American antiques are in great demand, with good Hepplewhite, Sheraton, and Phyfe pieces presenting an opportunity for an investor (BW—Mar.14'59,p32).



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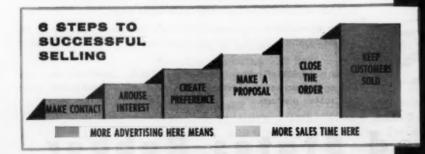
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Four Views of the Executive Recruiter:



To clients, he's a whiz at finding just the right man.



To the man who's hired, he's a gray-flanneled Santa.

When a Company Wants Brass,

The man in the cartoons above represents a fast-multiplying breed of management middleman—the independent executive recruiter or searcher. His job is to find and win management talent for companies that—for one reason or another—can't fill executive vacancies from within their own ranks.

As the cartoons suggest, the rise of this relatively new business has not won kudos from everybody concerned. Companies that have lost promising executives occasionally growl about "piracy." Men who are passed over for an outsider mutter about promotion from within. And some employment agencies resent what they think is an invasion of their field.

On the other hand, executives who get tapped for better jobs seldom complain. Nor, usually, do the companies that get them—until they themselves are raided by somebody else.

But, the recruiters point out, young and growing companies have to find managers somewhere. The executive search outfits simply provide a means for doing it efficiently—and discreetly.

• Specialists—The recruiters see themselves as a group of specialized consultants to management. As part of their effort to win recognition on those

terms, eight New York search con-

cerns this week got together in an Assn. of Executive Recruiting Consultants under the presidency of J. Francis Canny of Hoff, Canny, Bowen & Associates, Inc. Their aim is to define their new profession and set high ethical standards for its growing number of practitioners.

There is no doubt that executive search is a booming business. Ward Howell Associates, of New York, says its business has doubled every year for the past five years. Heidrick & Struggles, of Chicago, has doubled its billings over the last three years. Thorndike Deland Associates, of New York, reports an annual growth rate of 10% to 12% since 1954.

Before World War II, the search business was almost unknown. Most companies scouted their own talent—often on the golf course—or turned to a few management consultants who were doing a little recruiting on the side. Except for Deland, who set up his firm in 1926 (to start with, he specialized in retail stores), the general consultants provided just about the only outside help available for companies that didn't want to list management jobs with employment agencies.

Even five years ago there were only a handful of firms in the search field.

Today the American Management Assn. lists more than 40 of its members as doing some executive search work. One commercially distributed list names some 90 outfits.

• Definition—Part of the difficulty in measuring the growth of the field stems from the problem of defining a search firm. The business of bringing companies and executives together is complex—and a lot of people are in on it.

There are, of course, the employment agencies, which screen job seekers and match them up against openings listed with them by employers. Agencies usually collect a fee from the applicants, though for somebody he really needs the employer may cough up. Search firms, on the other hand, work only for the executive-hunting company and the association's code of ethics forbids accepting any payment from a candidate.

• Who Pays Whom-Employment agencies are paid on a contingency basis;

agencies are paid on a contingency basis; they collect only if they complete the deal. Search firms, as Samuel H. Beach of the New York firm of William H. Clark Associates explains, are reimbursed for "professional services, not for a body." The client pays even if the searchers can't find a man who satisfies him—though the fee may be a little lower in that case. Actually, says



To a company that's raided, he's a pirate.

To himself, he's a vital aide to industrial kings.

Executive Searchers Go to Work

Sid Boyden of Boyden Associates, Inc., New York, "We hardly ever fail."

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Search firms are opposed to the contingency fee—and have banned it in their code—because they think it puts too much pressure on the recruiter to come up with somebody. Many search firms stress that they are looking for the best man," not just a good one. Top Bracket—Chiefly, the search firms differentiate themselves from employment agencies by the type of jobs they handle and by the effort they put into the search.

The searchers mostly recruit for top and upper-middle management positions paying \$15,000 a year and upthough some set a lower minimum and all will go below it for favorite clients. One West Coast firm regularly recruits janitors, but there's a catch. Within a year the janitors will be \$15,000-a-year district managers of a building maintenance company that makes everybody start out pushing a broom.

Employment agencies, say the search firms, don't have the knowhow, the contacts, and the time it takes to scan all of American industry for an executive. To find a hotshot president, vice-president, or technical director may take several hundred man-hours. For

a single search J. Hardy Jones of Ward Howell Associates recently made some 2,000 telephone and mail contacts and interviewed more than 100 prospects in six weeks. The average search lasts one to three months, but a difficult one may run a year or more.

Employment agencies can't afford to invest that much time for the fees they are allowed to charge. Most states limit them to 5% to 10% of the executive's first year's salary. The search firms calculate their fees in various ways, but they usually end up with 20% to 25% of the annual salary.

• Competitors—Employment agencies that concentrate on jobs well below the \$15,000 bracket are largely indifferent to the search firms. Those that try to fill executive positions, however, object to the recruiters' competition, which they call "unethical." They don't approve of charging for an uncompleted job. Most of all, they brand as unethical the search firms' practice of soliciting executives who already have jobs. Agencies must depend on their own files of active job-seekers or on come-on ads.

Partly for this reason, few employment agencies have branched out into search-type executive recruiting. One Chicago employment agency head says

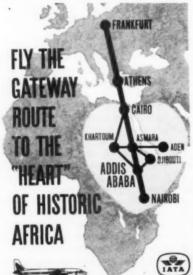
of the search firms, "We would not want to enter the recruiting field. If they want to steal, they can do it on their own."

Cadillac Associates, Inc., of Chicago, is an exception. Cadillac, an employment agency, has upgraded itself from specializing in domestic help, now collects about a third of its fees from managements who are hunting men and the rest from men who are hunting managements. Search firms, on the other hand, consider it unethical to work both sides of the street.

• Consultants as Recruiters—Employment agencies and firms that do only executive search work are not the only ones in the field. Some psychological consulting firms also recruit, usually as a sideline to promote use of their tests. And some of the big general management consulting firms whose services include organizational analysis—for example, Booz, Allen & Hamilton and Rogers, Slade & Hill in New York—conduct searches for their clients.

A number of general management consultants have dropped their recruiting activities. A few feared clients might suspect their objectivity in recommending organizational changes. H. B. Maynard & Co., Inc., of Pittsburgh, withdrew two years ago pri-





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marily because it didn't want to get a reputation for pirating executives. Also, Maynard found the recruiting business frustrating because so many clients were not frank about their requirements. One president let a search for a sales vice-president go on and on; finally, after all hands admitted failure, he confessed he wouldn't consider anyone under six feet in height.

Booz, Allen, on the other hand, gets about 10% of its annual gross from search fees, and regards recruiting as an important service to its clients. Booz, Allen recruiter C. Robert Martin sees no conflict between the two sides of his firm's business; he says recruiting "doesn't affect our objectivity."

• Variations—Even among firms that do nothing but searches, there is a lot of variety. The demand for engineers and scientists has produced a rash of technical recruiters, who maintain extensive mailing lists and advertise heavily for engineering and other technical personnel. At the other extreme from the mass production operators are the one-man outfits, often retired executives or individuals with contacts.

These are not "true" search firms by the standards of the association members—who concentrate on high-level executive positions, do a lot of research on jobs and men, comb the country systematically but discreetly for candidates, and offer highly personalized service to clients, including what Beach calls a lot of "hand-holding." Recruiters say there are only a dozen or so first-class search firms, mostly headquartered in New York.

• Approved Method—These firms have staffs of two to 20-odd recruiters, plus one to two times as many clerical workers and researchers. Most of them follow much the same procedure:

Clients come by word-of-mouth recommendation (no advertising). Once he has the "engagement," the recruiter spends several days getting thoroughly acquainted with the company and its community. With the client, usually the president or executive vice-president, since personnel directors seldom get to hire men who outrank them, he goes over the specifications for the job.

This may involve some organization analysis; smaller companies, in particular, often aren't sure just what they want. It may require a review of compensation policies; to get his man the client may have to up the ante.

• Personnel File—From reference books and his files the recruiter picks "sources"—professors, industry leaders, executives of appropriate companies, and personal friends—who are likely to know a man like the one he is looking for. From them he collects recommendations; for a single search telephone bills alone can run \$1,000 or more (the client pays such expenses).

Most search firms maintain extensive files. Handy Associates, Inc., in New York, for example, has IBM cards describing nearly 100,000 executives, most of whom have no idea they are there. Chiefly the files are used to track down information sources. Few of the men who get hired come from the files; even fewer come from those who sought out the recruiter. Most firms agree that only 1% to 10% of the men they have recruited were unemployed or job-hunting at the time.

Partly that's because the clients tend to prefer someone who seems hard to get. They want "someone really unusual who was dug out by hard research," says Martin. But mostly, Deland explains, it's because a search engagement and a man who fills the bill rarely hit a recruiter's office at the same time.

• Confidential Talk—Possible candidates are sounded out by phone or letter (at Heidrick & Struggles they are called "suspects" when their names first come up, "prospects" if they look good, and "candidates" when they hit the home stretch). The better ones are interviewed and thoroughly investigated.

Sometimes the companies turn out to be woefully inept as wooers. One official of a client concern greeted a particularly reluctant prospect with this abrupt question: "Did you come all the way to New York just to apply for this job?" It took the searcher several hours to calm the candidate afterward. Even without boo-boos such as this, it requires real skill to mediate between two parties, both with strong bargaining positions. William A. Hertan of Executive Manpower Corp., New York, prefers his staff to have had experience in union-management negotiations.

Normally the candidate doesn't know the name of the company that's thinking of hiring him until the search firm is ready to introduce him as a finalist; sources are also kept in the dark. This anonymity for the hirer is the search firms' chief selling point. Companies can sound out hundreds of prospects without tipping off competitors, customers, or their own executives.

• Searchers' Virtues—Another beauty of the search firm is that both client and candidate are usually franker with the middleman than they would be with each other. John Handy recalls the baffling case of the young executive who firmly refused to take a presidency at twice the salary he was getting. Finally, the prospect confessed he was too poor to buy a new house if he moved and too proud to admit his plight to the would-be employer. The company cheerfully arranged financing.

Other advantages of the outside search firm, say the companies that use them, are objectivity, thorough coverage of the field, and saving of top executive time. Some companies think NCORPORATED

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fees are too high, but the searchers argue it's cheaper to use them than to build up a seldom used internal staff.

Nowadays, says Handy, it's "hard to find a man to whom you can offer much," for those companies that have lost talent in the past are fighting back with deferred and incentive compensation plans. At the same time, say some recruiters, companies are getting more philosophical about executive mobility.

• Mass Mobility—Fifteen years ago, says Hardy Jones, it was considered disloyal to change companies. By contrast, more than half the more than 1,500 executives recently surveyed by the Harvard Business Review said they would consider an offer even from a direct competitor. And presidents who see their subordinates depart for higher jobs are "proud to have trained them," according to Boyden.

Increasingly, too, according to the recruiters, the man-losing companies realize they may be man-hunting soon. The best clients of search firms are companies that have just been formed, or have recently decentralized, that are growing fast, that are diversifying into new products or markets, or that have neglected to prepare their own executives for advancement.

But established companies with elaborate management development programs occasionally turn to the executive market, too. All face rising demand for management talent in a boom economy pushing against a manpower supply limited by industry's inability to develop youngsters during the Depression and World War II.

• Up From Within—A few companies have managed to cling to the ideal of promotion from within. The du Pont organization is built on that principle, Vice-Pres. Lammot du Pont Copeland declared a couple of years ago. "Executive development from within offers incentives which may be lacking in companies which hire upper-bracket executives from the outside." But, the recruiters insist, only a handful of large companies can honestly say they have never used a search firm.

All this is good for the recruiters' business. It is also in the public interest, Boyden claims. He says "everybody benefits" when a searcher plucks an executive from a spot where his advancement was blocked and puts him in a bigger job. The executive has a chance to show his stuff. The hiring company gets new blood,

To critics who charge that recruiters just redistribute talent instead of creating it, Boyden retorts that the company losing a top executive gets a chance to bring up its younger men. He goes so far as to declare: "We are the medium by which industry can get two good department heads where it had only one before." END

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In Management

Long-Time Olivetti Officials Named To Posts at Underwood Corp.

Important management slots in Underwood Corp. were taken over last week by long-time executives of Olivetti Corp. in the wake of the Italian company's recent purchase of a controlling interest in the American office machine maker (BW-Oct.10'59,p119). Ugo Galassi of Milan, Italy, was elected president replacing Frank E. Beane, and Guido Lorenzotti became a vice-president.

Both men primarily have been marketing specialists. Globe-trotting Galassi was responsible for the organization and development of the Olivetti Corp. of America 10 years ago and the recent reorganization of the Olivetti operations in Great Britain. Lorenzotti has been executive vice-president of the Olivetti Corp. of America.

Other companies have announced these changes:

• Alexander Budge has moved up to chairman of the board of Castle & Cooke, Inc., wide-ranging Hawaiian company whose interests run from pineapples to electronics. Malcolm MacNaughton, his heir-apparent (BW-Nov.28'59,p168), moved up from executive vice-president to president.

 Philip J. Monaghan was appointed vice-president of General Motors Corp. in charge of process development. He was succeeded as general manager of the GMC Truck & Coach Div. by Calvin J. Werner.

• Bond Stores, Inc., nationwide clothing manufacturer and retailer, announced that a new management 'team' will take over as a result of the recent death of Barney Ruben, who was chairman and president. Irving Cohen, who was a vice-president, was made chairman of the board and Ellis H. Schechtman, formerly secretary and treasurer, was named president.

Companies Warned to Avoid "Gray Area" When They Participate in Politics

Most of the 200 business executives who gathered in Chicago recently for a meeting of the National Industrial Conference Board seemed in favor of greater company participation in politics but were less sure about how to go about it. And although most of the speakers on the program agreed that there was a trend to more activity of this kind (BW-May30'59,p45), they expressed wide differences of opinion on how far companies could or should go.

The obvious legal restrictions are various state and federal corrupt practices acts as well as the Hatch Act, which limits the activity of companies with government contracts. But more of a drawback to company participation in politics is the legal "gray area" that has not been thoroughly tested in the courts. According to most speakers, it is best for companies to avoid getting involved in test cases over such practices as encouraging contribu-

tions by employees and lending employees for campaign work. Instead, they should concentrate on such accepted activities as forming nonpartisan political education groups and encouraging people to register and vote.

In the area of what companies should do, the participants in the discussion stressed the need for continuous "temperate" and "reasonable" statements by business leaders on political arguments that concern them and their businesses. And the businessmen in the audience were warned that if they got involved in politics, they must not get sour if their expectations in the field are not fulfilled.

Electronics Competitors Join Forces In Quest for Military Contracts

A group of six competing electronics companies have formed a new outfit to go after military contracts that no one of them could hope to land alone. The six are Servo Corp., General Transistor Corp., Blount Brothers, Inc., Specialty Electronics Development Corp., Nytronics Group, and Technical Research Group. Inc. Their combined sales this year are about \$51-million.

The presidents of the individual companies are on the board of the new National Electronics Facilities Corp. But the actual administration of the company will be handled by a management consultant firm, Dade Associates, Inc.

NEFO, as the new company is called, is expected to act as the prime contractor on any awards it gets and apportion the work out to its owner companies. So far, the idea is stirring up interest among other small concerns that find it difficult to get defense contracts. Wendell B. Barnes, retiring head of the Small Business Administration, expressed a hope that other small companies might find a similar way to get into contract bidding.

General Precision Equipment Welds Four Subsidiaries Into New Company

The four major subsidiaries in General Precision Equipment Corp.'s packet of electronic and instrument companies were consolidated into one unit last week. The new company—General Precision, Inc.—is made up of General Precision Laboratory, Inc., Link Aviation, Inc., Kearfott Co., Inc., and Librascope, Inc. It will account for about 90% of the parent holding company's \$200-million yearly sales.

Each of the four companies in the new combination will operate as a division with its management structure unchanged. Coordination of the four divisions will be handled by James W. Murray, chairman of the board, and Donald W. Smith, president, who hold the same jobs in the parent company.

According to officers of the parent company, the new consolidated unit is expected to make for greater flexibility, efficiency, and standardization of products. And the same sort of consolidation of several of the holding company's seven other subsidiaries may be coming up in the future.

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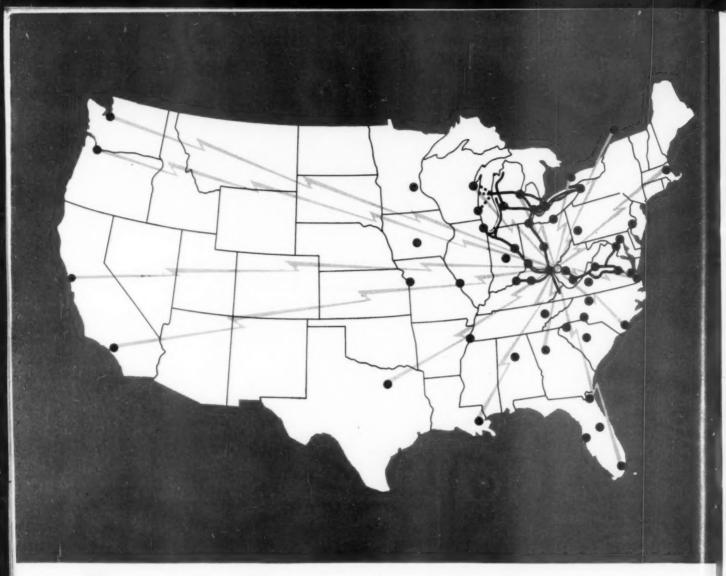
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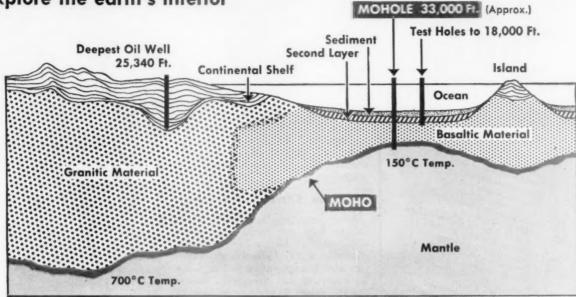


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Drilling the deepest hole to explore the earth's interior



Drilling a Hole Six Miles Down

That's the Mohole project, to find what the earth's interior mantle is made of. Tests start next year.

Just about as soon as man began to wonder about the sky above, he must have begun to wonder about the earth on which he stood. He has suddenly found ways to explore the earth's envelope of atmosphere, even the moon's backyard, but he has still barely scratched or pricked the crust of the \$,000-mi.-diameter globe.

The deepest hole yet made is a 25,-340-ft. oil well drilled in West Texas last year. This hole didn't come close to reaching the inner lining of the earth's crust, which is more than 100,000 ft. thick at this point.

But now, science and industry are teaming up in a plan to drill all the way through this crust and into the earth's mantle, the layer 1,500 to 2,000 mi. thick that makes up probably 80% of the planet's volume.

At its nearest point to sea level (drawing), the mantle is down about 32,000 ft.—under 14,000 ft. of water, 2,000 ft. of sediment on the ocean floor, another 14,000 ft. of basaltic rock crust, and a relatively thin boundary layer.

· Project Mohole-The project for

drilling the first hole to the mantle is known as Mohole, after the commonly used name, Moho, for the boundary layer between the crust and the mantle. Evidence of this layer was discovered by Andrija Mohorovicic, a Yugoslav scientist, in 1912. Its full name is the Mohorovicic Discontinuity. The Yugoslav professor discovered that seismic waves at this depth increased sharply in velocity, indicating they were entering a layer of different substance.

Mohole offers both scientific and commercial rewards and is being backed by the National Academy of Sciences. The hope is that the government will pick up most of the estimated \$15-million cost, with industry providing the bulk of the equipment and personnel required.

The project is being directed by the American Miscellaneous Society—AMSOC—a highly informal and freewheeling group of scientists of varied interests, formed in 1952 with no officers, by-laws, publications, or requirements except that two members constitute a quorum.

I. How It Started

Mohole was born at a typically informal gathering of scientists in March, 1957, at the La Jolla (Calif.) home of Dr. Walter Munk, professor of oceanography at the University of California.

Dr. Munk and Dr. Harry Hess, professor of geology at Princeton University, had been conversationally toying with the idea of drilling into the earth's interior, and AMSOC voted to undertake the project. Gordon Lill of the geophysics branch of the Office of Naval Research was named as project chairman.

To get financial backing, the group turned to its parent, the National Academy of Sciences-National Research Council. Next month, Congress will be asked to budget \$3-million to launch preliminary work and the first phase of the project. Another \$12-million will be needed as work moves through two later phases.

• Three Stages—The first stage of work, following months of thinking and testing, calls for experimental drilling to a depth of around 18,000 ft., to evaluate equipment and collect engineering data. This is scheduled for next year.

The second phase would be the designing of a special drilling ship and the actual drilling of a 32,000-ft. hole into the earth's mantle. Total cost is estimated at \$9.5-million.

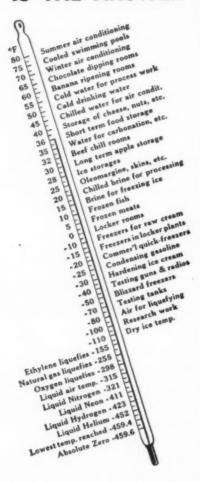
The third phase would be the scientific analysis of results. It would overlap the drilling operations, is budgeted at \$2.5-million.

• Potential Rewards—Through years of study, scientists have built up a theory about the composition of the earth: the

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core about half the diameter of the planet, made up of a nickel-iron mixture; the mantle, made up mostly of iron and magnesium compounds; the Moho layer, thin but dense; and the slag-like outer crust.

No one has ever produced evidence that this theory is correct, though. Drilling under the ocean into the core will tell scientists the life story of the earth and the seas; sediments on the ocean floor alone could contain a history of the earth's development for 2-billion years, including the origin of man.

For industry, the chief interest in Mohole lies in the perfection of deep drilling equipment and technique. The Navy is also interested in anything that is related to its growing undersea operations.

II. Inside Knowledge

Some scientists believe that rock samples from the earth's mantle will be more valuable in settling ideas about the earth's formation than samples taken from the moon will be. Some are confident that the earth's mantle and the moon will prove to be made of the same material. They base this confidence on a study of meteorites that have fallen to earth.

Scientists are braced for almost anything, though, when the first sample of the earth's interior is brought up.

• Hot or Cold?—Through the years, scientists have radically revised their notions about the earth's interior. At one time it was thought to be a boiling liquid inferno—a theory that arose from observation of volcanoes and of the rise in temperatures as holes were drilled deeper.

Later, however, the more popular theory was that the earth's interior, though once hot, had solidified in cooling into extremely hard, dense materials. Still more recent studies challenge the theory that the earth's internal temperature is cooling. Now there is speculation that the earth's radioactivity may actually be causing the interior temperatures to increase.

It is just this type of scientific conflict that the Mohole will settle.

III. How to Go About It

To launch the project, the AMSOC committee invited scientists and industrial engineers to Washington this week to a no-holds-barred "think" session, at which all possible problems likely to be encountered in the Mohole project were discussed. Upward of 20 companies were represented in the discussion periods, including such companies as Richfield Oil Corp., Pan American Petroleum Corp., Texaco, Socony, Jones & Laughlin Steel Corp., Global Marine

Exploration Co. of Los Angeles, Alcoa, Craig Shipbuilding Co. of Long Beach, Calif., Reynolds Metals Co., and Geotechnical Corp. of Dallas.

Industry engineers and scientists will now report back to their respective companies with suggestions as to what help they can give the project.

help they can give the project.

• Good Ship Cuss—Early next year, if a Congressional appropriation is assured, the committee will charter a drilling ship "which does offshore oil drilling but is more mobile and shiplike than the drill platforms are." Of four such vessels in operation all over the world, the one being considered most seriously is the Cuss I, owned by Global Marine Exploration Co.

The Cuss I would have to be modified to drill to 18,000-ft. depth, with derrick, winches, and pipe handling equipment increased in capacity and the mooring arrangement redesigned to hold the ship in position in water more than two miles deep. But the modification could be done fairly quickly.

For the 32,000-ft. drilling, an entirely new ship would be designed and equipped according to the findings of the Phase I operations.

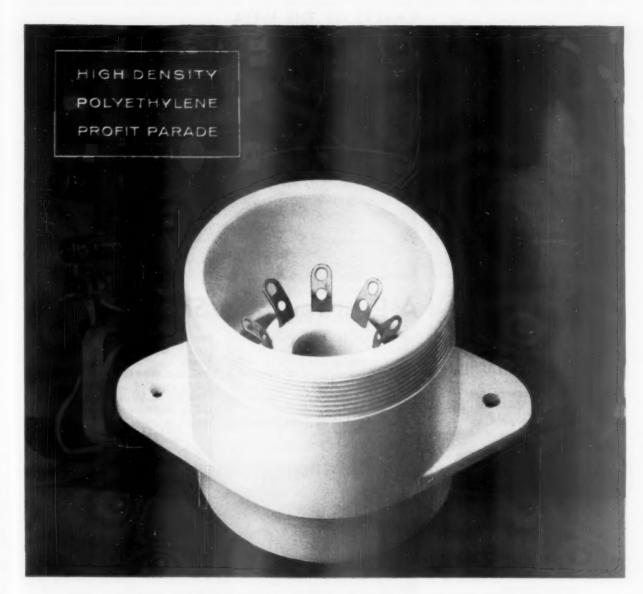
IV. Drilling Problems

Experience of the offshore oil drillers will be only a take-off for the Mohole crew. Offshore wells have been drilled to around 12,000 ft. in water depths up to 350 ft. Mohole is aiming at 32,000 ft. in open ocean where the water is 14,000 ft. deep.

A basic problem will be to keep the drilling ship stationary, within tolerable limits, directly over the hole. Engineers plan to mark off a 1,000-ft. circle of buoys held to the ocean floor by cables of extremely small diameter, to reduce effect of currents. The ship would use the buoys as guides in maneuvering, with outboard engines or special propellers, to stay in the center.

Many operations that are done manually in conventional oil well drilling may have to be done with automatic machinery because of the possible hazard from the ship's motion. However, engineers tentatively plan to use conventional tools and materials, though there is some doubt as to how they will perform at such depths.

No one is worried much about the effect of temperature. At most, the heat in the hole isn't expected to exceed about 150C. In addition to drilling deeper than man has ever gone before, there are other "firsts" attached to the Mohole project. It will be the first time that loads of more than 100 tons are deliberately moved about the ocean floor, differential pressures of several thousand pounds per square inch created, and holes drilled and filled with concrete 14,000 ft. underwater.



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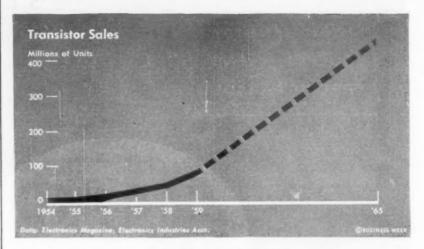
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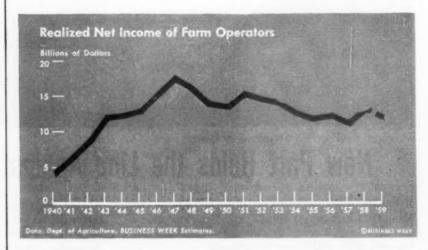


A Postwar Baby Shoots Up

Transistors—the mighty mites of the electronics age—are headed for unit sales of 455-million by 1965, according to industry forecasts. Predicted volume would be worth about \$400-million, assuming an average price of just under \$1 per unit.

First marketed in 1954, transistors

have chalked up one of the most impressive growth records of the postwar period. Unit volume mounted from 1.3-million in 1954 to 47.1-million in 1958 and is expected to total 80-million in 1959. Dollar sales multiplied from \$5.1-million in 1954 to an anticipated \$200-million this year.



Income Dips Down on the Farm

Sinking prices and mounting operating costs have the American farmer caught in a two-way squeeze that shows no sign of abating. Net income realized from farming in 1959 is expected to drop more than \$1.5-billion below 1958. And only one-third of this decline can be blamed on the elimination of the acreage reserve payments in the soil bank program.

The largest corn crop in the nation's

history, now rolling in, will only add to the problem by driving prices further down and swelling the government's huge farm surpluses. Commodities hardest hit by the price slump include wheat, sorghum, hogs, broilers, and eggs.

The Dept. of Agriculture foresees another decline in farm income in 1960—this one of about \$750-million, half as much as this year's.

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The World Balance Changes

At no time since World War II has the international scene been so baffling, so much like a kaleidoscope in which there is no easily discernible pattern. Wherever you look today—whether in Europe, Asia, Africa, or Latin America—there are economic and political developments that don't fit our accustomed notion of a world almost completely polarized around two contending giants, the U.S. and the U.S.S.R. (page 23).

Despite the complicated shape that world affairs have assumed there is an explanation for what is happening—the fact that the world has reached the end of the postwar era and now is moving toward a more complex but less dangerous pattern of international relationships. Notwithstanding the difficulties it involves, this is an essentially healthy development. With the great war now almost 15 years behind, it surely is time for a new pattern to emerge.

Certainly, there is reason to believe that Pres. Eisenhower is operating on some such assumption. Otherwise, he would not have committed himself and his country to a series of summit meetings, nor would he be making his arduous trip this month to 11 countries, including places as remote from the U.S. as India and Afghanistan. The President's goal, quite clearly, is personally to help lay the foundations for a more secure international order, under which the world can live without the everpresent fear of atomic destruction.

If any one thing has brought an end to the tortuous postwar era, it has been the development of a nuclear stalemate between the U.S. and the U.S.S.R.—or, perhaps more accurately, the recent recognition by both sides that such a stalemate has become virtually an unchangeable fact of life. With each of us possessing the means to devastate the other, the waging of war to achieve national goals is increasingly viewed in both Moscow and Washington as an unacceptable risk.

A tacit understanding having been reached on this point, it is perfectly natural that the U.S. and the U.S.S.R. should now be seeking an accommodation on some of the big issues that arose during the cold war. If this search were to prove successful, it would reduce the chance of war by miscalculation. And beyond, perhaps, lies the opportunity for both sides to reduce the economic burden of the arms race.

There is nothing in all this to suggest any end to the competitive struggle between the Soviet bloc and the Western world. Given the character of Soviet Communism, this can be expected to continue indefinitely. But in Washington, at any rate, there are now definite hopes that the struggle can be put permanently on safer ground, that agreement gradually can be reached on "the conditions for co-survival," to use a phrase recently coined by Secy. of State Herter.

The rest of the world, including our allies, has not stood still as Moscow and Washington have adjusted their policies to the nuclear stalemate. As the danger of atomic war has become more remote, our allies have felt less dependent on the U. S. than they did when there was no choice but to follow our lead, even if that meant accepting U. S. bases over which they had little or no control.

New Patterns

In Western Europe this sense of independence has grown steadily over the past year. Among our major allies there, it is especially strong in France though Pres. de Gaulle would not be able to make such a show of independence were it not for the backing he gets from West Germany's Chancellor Adenauer. The French desire to build a "Third Force" in Europe has reached the point—as witnessed by de Gaulle's delaying tactics on an East-West summit—where it could seriously complicate the U. S. effort to come to terms with Moscow.

It is not just the nuclear stalemate that leads our big European allies to throw their weight around. Another important influence is their growing economic strength and the fact that this has tipped the transatlantic financial balance temporarily against the U. S. You can see in this phenomeno—the replacement of the dollar shortage with a dollar glut—another indication that the postwar era has ended.

There also are a number of basic changes on the periphery of the great-power conflict that add to the complexity of the world scene and reflect as well the fact that a new era is upon us. In Africa, a vast continent with untold natural resources, there is a surge of nationalism that goes far beyond a mere postwar readjustment of colonial relations with Western Europe. In Latin America, we ourselves face a long-term historical trend that is bound to reshape our relations in this hemisphere. In India, you have an awakening to the fact that, regardless of Moscow's intentions, Red China is capable of continuing the cold war and directing it primarily against New Delhi.

In the new post-postwar world, the U.S. clearly cannot play the role of Atlas, as it did during most of the past 15 years. We do not have the human or material resources to do so. But this country does have the strength and idealism to influence the new era in international affairs profoundly, perhaps even to assure that it will provide the world with a larger measure of peace and freedom than mankind enjoyed during the era now ending.



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